

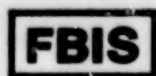
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ECONOMIC AFFAIRS

No. 289



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CHINA REPORT

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON ECONOMIC RESULTS OF COMMERCE

HK240850 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 82 pp 59-61

[Article by Jin Jialin [6855 1367 7792] of the Hangzhou Institute of Commerce: "On the Economic Results of Commerce"]

[Text] The economic results of commerce are viewed based on the specific functions of commerce. The economic results of commerce are the ratio relationship of cost and gains, or cost and results in commercial activities. They show the economics of cost and the extent of gains in commercial activities. Based on content, the cost in commercial activities is the consumption and utilization of additional manpower, physical and chemical labor and natural resources in the course of the circulation of commodities; from the viewpoint of expenses, it is the cost of the circulation of commodities; from the viewpoint of the utilization of capital, it is the utilization of the commercial capital. What are the gains or results of commercial activities? On this problem, two points must be clarified: First, we should examine the realization of value of commodities and sales turnover should be regarded as unification of production and circulation. In other words, the realization of value of commodities and sales turnover should be regarded as the unified results of production and circulation. The realization of the value of commodities and the value of utilization are dependent on whether the products manufactured can meet the needs of market, and whether the social adjustment mechanism (including the function of commerce) can sensitively help production to cater to the needs of society both in quality and quantity. The viewpoint that production controls output and value, and circulation controls "realization" is incorrect.

Second, commercial results should be examined based on the specific function of commerce on social reproduction. Socialist commerce is the bridge connecting production and consumption. Its specific function is embodied in the following four points: 1) It predicts changes in market requirements and, through the link of production and marketing, helps production of cater to the needs of society regarding quantity, types, quality, specifications, varieties, styling and packing; 2) It actively purchases existing sources of commodity and, through transference and transportation and storage and sales, makes them play the most efficient role for production and living conditions with regard to market locations, timing and material; 3) In the course of circulation, it provides various additional services, so as to satisfy the consumers' requirements for quality of commercial services; and 4) It smoothes out circulation

channels, shortens circulation time and expedites social reproduction. These functions, which are achieved by commerce in practice in the course of social reproduction, are the gains and results of the activities of commodities. The results of commerce are included in the unified results of production and circulation if the selling prices of commodities can rationally reflect the unified results of production and circulation, then the results of commerce are embodied in the sales turnover of commodities. They are reflected by the magnitude of gross profit of the commercial price differential of sales turnover, which is composed of the ever-increasing sales volume and ever-improved quality of commercial services.

The Relationship Between Price and the Evaluation of Economic Results of Commerce

In the course of social reproduction, commerce actively gives full play to its own functions, and the macroresults of commerce exist objectively, irrespective of the influence of prices. However, the way by which commercial results are reflected by prices directly influences the evaluation of commercial results, and thus also influences the evaluation of the economic results of commerce. If the macroresults are not reflected by prices, the contradiction between macroresults and macroresults will be formed. For example, if commerce actively deals in chemical fertilizers and farm chemicals, the commercial results exist objectively. But if the prices are in a reverse relationship between purchase and sales, the result is that when the operation is more active, and the macroresults are greater, the loss of the enterprises becomes even greater and the microresults become even worse. In this way the commercial results cannot be correctly evaluated. It is, therefore, quite evident that the way by which commercial results are reflected by prices is a fundamental problem concerning the evaluation of the commercial results and the economic results of commerce.

In what way should prices reflect commercial results?

First, when commercial activities conform to the needs of society, commercial price differential should reflect the requisite labor consumption of society which enables commerce to gain results or, it is equivalent to the normal and rational circulation cost plus the average profit (under the condition of the production of commodities, in order to achieve a balanced development of production and circulation, the requisite labor consumption invested by commerce and the enterprises should be rationally compensated for in the price differential). Second, when certain commercial activities are particularly needed by society, these activities can obtain relatively greater profits; if they are not needed or less needed, they can only get smaller profits and may even suffer a loss. For the examples cited above, when commerce deals in chemical fertilizers and farm chemicals, it generally should obtain the normal commercial price differential, and the relationship should not be reversed with respect to purchase and sales. Under certain conditions, the commercial price differential may be somewhat greater or smaller. Thus, commercial results and economic results of commerce can be more correctly evaluated, and there will be alignment between microresults and macroresults in the expression of prices.

With respect to the evaluation of commercial results and economic results of commerce, there exist some problems concerning the current pricing system of our country.

1) The commercial price differential of many commodities embodies profit or loss according to policy, with the result that commercial results cannot be correctly reflected. In accordance with policy, the state demands that price should play the role of realizing the redistribution of the national income and effecting the rational utilization of special resources, thus making the prices of many commodities deviate from their value. But these functions should be embodied in the income of actual sales of commodity producers and commercial operators, otherwise the rational adjustment of production and marketing by prices and the rational evaluation of the results of production and marketing will be affected. Therefore, for the selling prices of the commodities, profits, according to policy, should be converted into state revenue, and loss, according to policy, should be subsidized by the state. However, for a relatively long time in the past, price was regarded as futile in its function of adjustment for state-run industry and commerce, and state-run industrial income, state-run commercial income and financial income were all considered to be state income. If there were profits according to policy in the selling prices of industrial products, they were shared by both industry and commerce, with industry taking the greater portion; if there was a loss, industry was allowed to retain a small amount of profit or to cover costs, and commerce shouldered the loss. In this way the commercial price differential of many commodities reflected the profit or loss according to policy, which, besides harming production, seriously affected the proper evaluation of commercial results and economic results of commerce.

2) At present, there is still no floating range for planned prices in our commerce, so commodities, on the basis of planned adjustment, cannot make use of the floating of prices within a certain range to reflect the change of the consumers' needs and to tackle the problems of good or poor sales performance, and also the price and the commercial price differential cannot correctly evaluate the degree of suitability for sales of the commodities in the commercial operation.

3) The commercial price differential generally does not embody the quality of services of commerce. With regard to the management of retail prices, when shops of different types sell the same commodity, even if there are great differences in the facilities and quality of service, the retail price and the price difference between wholesale and retail are all identical. Furthermore, the formulation of the retail prices for the commodities does not incorporate the criteria for the quality of service. When supply of commodities cannot meet demand, thus causing the lowering service quality, the shops do not alter their retail prices at all. Therefore, the price difference between wholesale and retail cannot reflect service quality in commerce and cannot improve service quality.

In our country, in order to enable the marketing results of commodities to be correctly reflected in the commercial price differential, so as to strengthen the examination of the economic results of commerce and facilitate its improvement, the aforesaid problems should be gradually solved in the course of the reformation of the price systems. Before these problems are solved, with regard to the improvement of commercial results, part of them can be reflected in the improvement of commercial results, part of them can be reflected in the

increase of income for the enterprises, but part of them (such as the improvement of service quality, reduction of the time needed in purchasing for the consumers, and so on) cannot be reflected. Therefore, it is necessary that commercial results be divided into results based on income and results based on service, so that the commercial results can be thoroughly checked and the two aspects of the results can be enhanced.

The Understanding of the Current Criteria of Evaluation for Economic Results of Commerce

The net sales volume of commerce is the criterion reflecting the unified results of production and circulation. However, various kinds of commercial results are always embodied in the sales volume or are related to the sales of commodities. Therefore, the net sales volume is also the basic criterion for checking commercial results and economic results of commerce. With regard to the same commercial entity or enterprise in different periods, or different commercial entities or enterprises, when the scope and structure of the commodities they market are similar and the prices are generally stable, the change of the sales volume basically reflects the change of the commercial workload. In this sense, the sales volume can be regarded as the basis for evaluating the degree of economy of cost (the rate of cost) for the circulation of commodities, and for evaluating the degree of economy of manpower (labor efficiency). Only in the evaluation of operation efficiency of capital can the sales volume of commodities reflect the operation results of commercial capital. This is because, on the problem of operation efficiency of capital, the purchasing price is not regarded as the results of production of the producers, but is regarded as the capital invested by commerce, and the sales volume is considered to be the operation results of the capital invested by commerce; here the relationship is in the form of G to G [as published]. Therefore, the sales volume of commerce should be utilized for the calculation of the rate of investment of capital and of the rate of circulation of capital.

The gross profit rate of commerce can be regarded as the criterion for the specific results of commerce. Whether it can become the criterion for correctly evaluating commercial results depends on whether the price difference in commerce can correctly reflect commercial results.

The profit rate of commerce is the criterion reflecting the comprehensive economic results of commerce. Whether it can become the primary criterion for correctly evaluating the comprehensive economic results of commerce depends, first of all, on whether the commercial price differential can correctly reflect the commercial results. Because the price differential of different trades embodies different profits and losses according to policy, and within the same trade there are frequent large-scale adjustments for price differential according to policy, so the changes of the profit rate for different trades or for the same trade cannot truly reflect changes of the comprehensive economic results of commerce.

The criterion of labor efficiency can reflect the degree of economy and the operation efficiency of manpower only under the premise that the quality standard of service of commercial labor is fully assured. Otherwise, if the per capita sales volume increases while the quality of service decreases, efficiency is not genuinely enhanced.

Therefore, under the present conditions of our country, the examination and inspection of the economic results of commerce depend mainly on the criteria of the cost rates of circulation, the rate of capital turnover or the utilization rate of capital. Great attention must be paid to the degree of economy of the cost or of the utilization of capital, particularly the changes of the rate of capital and the utilization rate of capital together with problems concerning the marketing and management of commerce.

Ways to Enhance Economic Results of Commerce

At present, in order to enhance the economic results of commerce, it is of utmost importance to handle the following three aspects well:

1. The long, medium and short-term market forecasts must be strengthened and the linkup between production and marketing must be improved so that products can be tailored to the needs of market. National forecast centers should be set up for the principal trades and principal commodities, and forecast reports should be issued at regular intervals; display and sales coupled with forecasts jointly conducted by industry and commerce should be actively organized; and the rate of accuracy of the market forecasts should be set as a single-item criterion for examining commercial results. With regard to agricultural products, investigations of the laws governing the production and sales of commodities should be enforced, and the forecasts for production and market demand should be strengthened so as to give guidance to agricultural production. With regard to daily-use industrial products, we should continue to implement various forms of purchase and marketing: those commodities which do not fall into the category of state-controlled purchase and sales and planned purchase can be marketed by the industrial departments themselves; for those state-controlled commodities in purchase and sales or those commodities under planned purchase, contracts for production and sales must be signed, and the contracts must be executed under the supervision of the law; the commercial units may refuse to accept those commodities which do not meet current market needs, which are not listed as state planned storage items, or which do not have contracts signed; as for the production of small commodities, price differential between species may be appropriately expanded, and the price differential between popular and unpopular goods may be tentatively practiced, so as to encourage the production of suitable new varieties and to gradually eliminate outdated items; various forms of cooperation between commerce and industry may be adopted, so that industrial production can cater to variations in market conditions.

2. Circulation channels should be smoothed out, the scale of marketing for commodities should be expanded, and the structure of the storage system should be improved. Through the readjustment of the commercial management systems, we should adopt the measure of "division of labor for commodities; intercommunications between cities and rural areas" and help to send more industrial products to the countryside; industrial products should be displayed and sold in the rural areas more frequently and extensively, rural fairs and material exchange fairs should be held, and the production of items tailored to rural needs should be increased. Commercial units at different levels should be allowed to make their own purchases, and the circulation of commodities should be organized on the basis of economic regions, so as to realize more channels

for circulation and to reduce the links in the course of circulation. With regard to the storage of commodities, we should gradually solve problems concerning the distinction between state storage, based on economic strategy and policy, and commercial storage, based on seasonal needs of circulation, and also the distinction between storage and overstocking. The overstocking of commodities should be stopped, based on their actual situation, so as to improve the situation in the wholesale business of "letting the short-term goods compensate for the long-term ones; and letting the popular goods compensate for unpopular ones."

3. Service quality in the retail business must be improved. This is an important aspect of improving the economic results of commerce. We should expand and improve business locations and increase facilities, networks and centers. With regard to retail business, we should stipulate the items for marketing, service facilities, the area for operation, display of commodities, the introduction of the characteristics of commodities, before and after sales service, methods of payment, customer service, and other criteria for service quality. We should also conduct professional and technical training programs, evaluate and establish ranks and titles for professionals, and set up model retail shops.

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NATIONAL POLICY AND ISSUES

ECONOMIC STRATEGY, PEOPLE'S LIVELIHOOD

HK191016 Beijing JINGJI YANJIU in Chinese No 10, 20 Oct 82 pp 53-58

[Article by Liang Wensen [2733 2429 2733] and Yang Shengming [2799 5110 2494] of the Institute of Economics under the Chinese Academy of Social Sciences: "Strategy of Economic Development and the Life of the People"]

[Text] I.

Since the 3d plenary session of the 11th CPC Central Committee, the CPC and the state have formulated and implemented a series of principles and policies of "readjustment, restructuring, reorganization and upgrading." This is an embodiment of China's shift from its traditional strategy of economic development to a new development strategy, that is to say, China has replaced the traditional strategy, which concentrated on the total output value as its objective, with a new strategy having fulfillment of the basic everyday needs of the people as its objective. The major characteristics of the new strategy are to strive to acquire a sustained, stable and steady speed and to maintain the proportional and coordinated development of the national economy by means of raising economic results, so that the people will get more material benefits.

In the matter of the goals of development of the socialist economy, we have for a long time excessively emphasized the growth rate of the total output value and deviated from the strategic goal of satisfying the needs of the life of the people, paying a high price for doing so. Particularly after 1958, one-sided stress was put on developing certain specific departments of heavy industry, and prominence was given to the isolated production of iron and steel, causing serious damage to the development of light and industry and agriculture and causing disproportions in the production of the means of production and means of subsistence, and in accumulation and consumption. As a result, production squeezed out livelihood and accumulation elbowed out consumption. During the 20 years between 1958 and 1978, there was a decrease in the growth rate of China's economic development and the level of the people's well-being. Compared with the period of the "first 5-year plan," the average annual rate of increase of the total industrial and agricultural output value decreased from 10.9 percent to 6.5 percent, and the annual increase rate of the real wages of the staff and workers in units under the system of ownership by the whole people decreased 5.5 percent to 0.21 percent. This traditional development strategy which carried out production for the sake of speed was able

neither to ensure the smooth development of social reproduction nor really bring any continuous improvements to the people's standard of living.

The development strategy with the pursuit of output value and speed as its objective was a reflection of the erroneous "leftist" guiding ideology. It craved for greatness and success, sought high targets and high accumulation rather than practical results, one-sidedly extended the scope of capital construction and expanded the output value of heavy industry without considering national conditions, forces or the people's capacity to bear burdens in their life; furthermore, heavy industry was excessively self-serving and failed to really help the development of agriculture and light industry. In a situation in which lopsided economic structure was added to centralized and over-rigid economic management system, this development strategy, which carried out production for production's sake, overlooked the needs of the people's livelihood and resulted in serious lack of consumer goods needed by the people. In addition, large quantities of the means of production and consumer goods which were not needed by the people in their life were stockpiled. Concentrating on high speed resulted in more haste, less speed. The people worked assiduously but got no substantial material benefit. Their enthusiasm for socialism was thus seriously dampened. All this in turn interfered with the development of production. So, this strategy must change.

It is precisely because of this that in the course of economic readjustment, we have carried out a new development strategy with the satisfaction of the basic everyday needs of the people as its objective, adopted the principle of vigorously developing the production of consumer goods. Appropriately reduced the growth rate of heavy industry so that we can put a stop to the lopsided economic structure in which heavy industry was given one-sided stress while agriculture and light industry did not receive the attention they deserved. In the past 3 years and more, we have accelerated the development of agriculture and light industry, shifted heavy industry to serving agricultural and light industrial production and to serving the whole national economy, so as to ensure the harmonious development of agriculture and light and heavy industries. At the same time, we have readjusted the proportional relations between accumulation and consumption, reduced the accumulation rate and increased the rate of consumption. After this readjustment, during the 3 years between 1978 and 1981, agricultural production increased year after year, the total agricultural output value showed a yearly increase of 5.6 percent and the output value of light industry increased at an average rate of 14 percent a year. The ratio of the total agricultural output value in the total industrial and agricultural output value increased from 25.6 percent in 1978 to 30.9 percent in 1981; the proportional of the total light industrial output value in the total industrial output value increased from 43.1 percent in 1978 to 51.4 percent in 1981. This has created a material basis for enabling the people to enjoy a higher standard of living. Correspondingly, the proportion of consumption funds in the national income increased from 63.5 percent in 1978 to about 71.7 percent in 1981. And the production of consumer goods and accumulation funds were well coordinated, thus providing conditions for the stepping up of production of consumer goods.

Giving top priority to the vigorous development of the production of consumer goods is the requirement of the new development strategy and definitely not

just an expedient measure. True, to continuously improve the people's livelihood, it is necessary to develop light industry and agriculture in a more vigorous way, but if heavy industry fails to maintain a certain growth rate and thus provide light industry and agriculture with more, effective technology and equipment, power and fuels, and supply more raw and semi-finished materials to light industry, it will be impossible for agriculture and light industry to carry out technical transformation and proceed to develop production at a sustained and rapid pace. In other words, the production of the means of subsistence and that of the means of production must be developed in proportion. So while substantially developing the production of the consumer goods industry and accelerating the development of agriculture and light industry, attention should be paid to the development of heavy industry. This is also the requirement of the new development strategy. Therefore, neither of the two development strategies--one-sidedly developing the production of consumer goods, or giving prominence only to heavy industry--will really achieve socialist economic development with the satisfaction of the basic everyday needs of the people as its goal.

II.

Since the implementation of the new strategy of economic development, have any improvements actually been made in the well-being of the people? This is a matter which the people are much concerned with. At the same time, it is also a criterion for testing whether or not the new strategic principles are effective and feasible.

Since the 3d plenary session of the 11th CPC Central Committee, under the guidance of the new strategy, great improvements have indeed been achieved in the life of the people. This can be seen mainly in the following:

1) The real income of the urban and rural population has markedly increased.

Beginning in 1979, the CPC and the state raised the purchasing prices for farm produce and sideline products and greatly extended negotiated prices. The total additional peasant income in the 3 years from 1979 to 1981 was 48.1 billion yuan and the accumulative total from the reduction or remission of agricultural taxes was 7.8 billion yuan; with the readjustment of wages and upgrading, the distribution of bonuses and the expansion of employment of the staff and workers of the cities and towns, their additional income in the previous 3 years amounted to 25.1 billion yuan. The subsidies for coping with price rises in non-stable goods given in the same period to the staff and workers added together amounted to at more than 10 billion yuan and the added figures of all other subsidies totalled 30 billion yuan. All this has brought a greater increase in the incomes of the majority of the residents.

According to the State Statistics Bureau's Survey of Family Livelihood, the average net income of every commune member in 1981 was 223 yuan, an increase of 89 percent over 1978, or an average yearly increase of 18.5 percent in the 3 years between 1979 and 1981. The annual increase in the income of every peasant of the country during the 10 years of the "great cultural revolution" was only 2 yuan, but over the last 3 years it was 28 yuan. The income spent every year in living expenses by every member's or worker's family was 463 yuan in 1981, 46.8 percent more than the figure of 1978. This rate of increase

in the incomes of peasants, staff and workers is the highest since the founding of the PRC.

Some people may point out that although the incomes of the peasants and workers have increased considerably in the last 3 years, market prices have also risen quite a lot. Such being the case, are the benefits which the residents have gained not offset? The improvement of the people's livelihood depends to a great extent on the margin between income and prices. If the increase in the cash income of the residents lag behind the rate of inflation, this will mean a decrease in their real income; on the contrary, if the increase in their income surpasses the rate of price rises, then the people's standard of living will rise accordingly. Therefore, only when we make an analysis of the increases of both income and prices, can we definitely show whether or not there have been improvements made and to what extent the improvements have been achieved.

In the last 3 years, there have been increases in prices and, in particular, the increase in prices of vegetables and non-staple foods has been even higher. The price increase in 1981 was 32.1 percent higher than that in 1978. However, this does not mean that all prices of consumer goods rose as a result. Rather, there were increases and decreases in this respect and the prices for daily necessities were basically unchanged. (Note: In the last 3 years, of more than 30 major consumer goods, the retail prices which increased included vegetables, meat, poultry, eggs, aquatic products, tobacco, wine, tea, fruits, leather shoes, wooden furniture and so on. Comprising 37.6 percent; the retail prices which were basically unchanged included grain, edible oil, sugar, cotton cloth, cotton knit goods, rubber shoes, bicycles, coal for home use and so on, constituting 47.1 percent, while the prices of polyester cloth, TV sets, and refrigerators were reduced; they made up 13.3 percent. See RENMIN RIBAO 5 Oct 82 p 4).

With all things considered, the price index of the living costs of staff and workers in 1981 (the annual average increase being 3.9 percent) and the increase in price hikes did not exceed that of the income of the residents. According to materials released by the State Statistics Bureau, the annual average money (nominal) wage income of the staff and workers in units under the system of ownership by the whole people and under the collective ownership system in the cities and towns throughout the country was 614 yuan in 1978 and 772 yuan in 1981, thus increasing by 158 yuan or 25.7 percent, or a yearly average increase of 7.9 percent in the previous years. If the factor of price rises was taken into account, the real average wage still increased by 11.9 percent or by 3.8 percent annually.

The concrete analysis and quantitative calculation of the balance between income and prices show that if the increase in income considerably exceeds that in price hikes, there will be a fairly big increase in the real income of the residents and marked improvements in their living standards.

2) There has been a fairly big increase in the volume of consumption and distinct changes have also taken place in the structure of consumption.

In the last few years, there has been not only a fairly big increase in the real income of the residents but also a rapid increase in the volume of consumption. Let us put aside the increase in expenditure on the part of laborers. Looking at the actual situation of the consumer goods market alone, the total volume of the consumer goods purchased by urban and rural residents in 1981 was 60.4 percent higher than that in 1978, or an average annual increase of 17.2 percent in the previous 3 years. Calculated taking price inflation into account, the total volume of consumer goods purchased by urban and rural residents in 1981 was 43 percent more than that in 1978, or a yearly average increase of 12.7 percent.

Let us discuss this question in more concrete terms. Of the annual average amount of material items consumed by every person throughout the country, compared with 1978, in 1981, oil increased from 3.2 jin to 5.5 jin, pork increased from 15 jin to 22 jin and cloth (including chemical fiber cloth) increased from 24 chi [1 chi equals approximately 1/3 metre] to 31 chi. In the last 3 years, a total of 220 million square meters of dwelling houses were built and thus the average per capita floorspace of the residents in the cities and towns increased from 3.6 square meters in 1978 to 4.12 square meters in 1981. A total of 1.5 billion square meters of housing built over the last 3 years in rural areas and the average per capita floorspace in 1981 was nearly 10 square meters. In articles of everyday use, the demand for high-grade consumer goods and durable consumer goods continuously increased. For example, the average amount of bicycles, wristwatches, sewing machines, radios and TV sets for every 100 family of staff and workers in 1981 showed an increase of 12 percent to 320 percent over 1978.

In the last 3 years, noticeable changes have taken place in the composition of our people's consumption. According to a survey of the 8.715 families of the staff and workers, the composition of their expenses for purchasing consumer goods is as follows: (Note: See RENMIN RIBAO, 12 March 1982)

	1978	1981	Comparing 1978 with 1981
Food	64.0	61.6	-2.4 percent
Clothing	15.1	16.1	plus 1.0 percent
Daily necessities and articles for recreation	14.0	16.6	plus 2.6 percent
Others	6.9	5.7	-1.2 percent
Total	100.0	100.0	--

The materials listed in this table show that compared with 1978, in 1981 the ratio of food decreased while the ratios of clothing and articles for everyday use increased. With the increase in their income, the residents spent their additional income more on purchasing consumer goods--clothing and everyday articles. This is one of the important indicators of rising living standards. This change in the composition of consumption reflects the change in the needs of the people for subsistence goods, development goods and entertainment goods. The people no longer feel satisfied with just having enough to eat and to wear, and their needs have gradually developed toward the consumption of goods for development and enjoyment.

3) Distinct improvements have been achieved in the level of social collective consumption.

Man lives in society. Apart from personal living consumption, there must be social collective consumption, which consists of two aspects: The main aspect includes operating expenses for education, culture, scientific research, public health work and physical education, that is, the "section used for satisfying the common needs." This section "will increase day after day with the development of the new society." The other aspect is the costs of administration of state organs, and national defence expenditure. This section "will decrease day after day with the development of the new society." (Marx, "Critique of the Gotha Program," in "Selected Works of Marx and Engels," Vol 3, p 10)

Over the last 3 years, the state's investment in fields concerning the life of the people such as culture, education, public health work and urban public utilities has increased [each] year. Such investment in 1978 totalled 8.33 billion yuan; in 1979, 13.5 billion yuan; in 1980, 18.2 billion yuan and in 1981, 17.6 billion yuan. The investment made in 1981 showed an increase of more than 100 percent over 1978. The proportion of the investment poured into non-productive construction in the total investment made increased from 17.4 percent in 1978 to 41.1 percent in 1981.

4) Impressive improvements have been made in the scientific and cultural levels and standard of living.

Man must have not only a material life but also a spiritual one. We must build not only a high level of material civilization but also a high level of spiritual civilization. Raising the scientific and cultural level of the people of our country is an important component part of the building of spiritual civilization. We have achieved many successes in this respect. Compared with 1978, in 1981 there was an increase of 128 percent in the number of feature films produced. Of 12 percent in art performance troupes, of 7 percent in cultural centers and of 42 percent in public libraries. Circulation of newspapers increased by 29 percent and that of magazines, by 92 percent, and the amount of books published rose by 31 percent.

The facts listed above prove that remarkable improvements were indeed achieved in the level of the people's well-being after China shifted its traditional development strategy to a new strategy. This is beyond all doubt. Of course, because we have only just started implementing the new strategy and not yet fulfilled the task for readjusting the national economy, it is not possible to completely solve all the problems concerning the livelihood of the people. The conspicuous problems concerning the life of the people at present are: a small section of the staff and workers have not gone up in grade and their wages remain unadjusted; they have little or even no bonuses and as a result, there has been a decrease to varying degrees in their living standards; in particular, housing, for a considerable number of the residents in the cities and towns, is still fairly congested; consumer goods are in short supply; market supply is strained and prices have gone up somewhat. But these problems are after all problems which we encounter in the course of our progress; it is entirely possible to solve them step by step in the future.

In concrete terms, how have the initial marked achievements which we have scored in the implementation of the new development strategy, which has satisfaction of the basic everyday needs of the people as its objective, been made? What counter-measures should be adopted in the future to solve the problems existing at present? In our opinion, our remarkable achievements in implementing the new development strategy have depended on proceeding from the overall situation, striking an overall balance, putting the harmonization of such factors as production, distribution and exchange in a strategic position and adopting appropriate measures. In the future we must continue to follow this strategic decision.

First, the harmonization between living consumption and production should be maintained.

Production is a prerequisite for livelihood. The basic everyday needs of the people are determined by the level of development of social production and its growth rate. However, production should not be developed in isolation from living consumption. Without living consumption there will be no reproduction of labor power and no subjects, objects, aim or motivating force of production, and production will inevitably be unable to develop. Therefore, living consumption and production must be well coordinated.

In terms of planning and arrangements, a harmonious relationship between the production of the means of production and that of the means of subsistence should be maintained. The production of means of subsistence should be carried out in accordance with the needs created by the improved livelihood of the people. Otherwise, the supply of consumer goods will exceed their demand or fall short of demand. Moreover the development of the production of the means of production must be in keeping with the production of the means of subsistence. If the scope of production of the means of production is overstretched, its growth is excessively fast and the needs of the working people exceed the consumer goods which the second category can afford to supply to the first category, this will surely result in the supply of consumer goods falling short of demand. We learned many lessons in this respect in the past.

In the production of the means of subsistence in China, agricultural production occupies a particularly important position. China has a population of 1 billion of which 800 million are peasants. By satisfying the everyday needs of the people, we mean first of all satisfying the everyday needs of the peasants. In addition, in the composition of living consumption of our people, food is primary. The food expenses of the residents of the cities and towns constitute about 60 percent of their total costs of living and the ratio of the food expenses of the peasants is even greater. Clothing is secondary. Furthermore, most of the raw materials for clothing come from agriculture; quite a number of articles of everyday use are supplied by agriculture, and 70 percent of the raw materials used by light industrial sectors which produce consumer goods come from agriculture. These facts show that doing a good job in agricultural production is of especially great significance in ensuring an improvement in living standards.

It can be said without the slightest exaggeration that the growth of agricultural production determines the rate of improvement in the people's living standards. If the annual average growth rate of China's agricultural production is around 4 percent, then taking the future growth of population into account, it is estimated that the yearly increase of living consumption will be only about 3 percent. To accelerate the improvement of the people's well-being, it is necessary to quicken the pace of the development of agricultural production.

The increase of the production of the national income determines the rate of improvement in the people's living standards. For a period of time in the near future, the growth rate of our agriculture and industry cannot possibly [be] too high and the national income will increase by approximately 4 percent. While the proportion between accumulation and consumption is unchanged, the annual increase in consumption funds and accumulation funds can be only around 3 percent. Again, seen from the absolute volume of the newly added national income, in a period of time in the near future, the additional national income per year will be approximately 15 to 20 billion yuan. If 30 percent of the additional national income is used in expanding production and 70 percent in consumption, then consumption funds may increase by about 10.5 to 1.4 billion yuan and accumulation funds may go up by 4.5 to 6 billion yuan a year. After the newly added consumption funds are reduced by the needs of the additional population, the rest which can be used in improving the life of the people only totals a few billion yuan, or a few yuan per person per year. This is the scope of the improvement of the people's livelihood at the present stage. Our strategic decision must not exceed this quantitative limit. Of course, with the growth of the creation of national income, this scope should be constantly extended.

Next, the harmonization between necessary products and surplus products. This proportional relationship is in essence a reflection of the relationship between the personal interests of the working people and those of the collective, and between immediate and long-term interests. In order to correctly handle this proportional relationship, seen from the higher plane of the strategy of economic development. In the production units under the system of ownership by the whole people, we must ensure that the growth of labor productivity should exceed the increase in average income; in units under the collective ownership system, we must ensure that the growth of labor productivity should exceed the increase in the income which the working people get from collective production. Given the situation in which a large number of people will have to be found jobs every year for a period of time to come, while defining the proportional relations between necessary and surplus products, we must ensure that the growth of output of products should outstrip that of labor remuneration funds. Only such a strategic decision can ensure that apart from guaranteeing improvement in living standards, the state can spend more funds on expanding production and developing such undertakings as scientific research, culture and education, public health work, physical education and national defence. Moreover, the expansion of production and the development of various undertakings will in turn become the material conditions for improving the people's well-being. If we make different strategic decision[s] and allow the increase of labor remuneration funds to surpass the growth of labor productivity, it seems of first that the people's living standards will be improved at

a faster pace; but actually this is not the case. If the state does not have any accumulation funds on hand to increase production and to take up various other undertakings, this will mean losing the ability to further improve the life of the people. At present attention should be paid to controlling the distribution of bonuses and the prices of farm produce so that the growth of labor remuneration funds will not outstrip the increase in production, and the increase in average per capita income will not exceed the growth rate of the output value per worker of industrial enterprises.

In the redistribution of the national income, we must also correctly handle the proportional relations between productive and nonproductive investments in the use of accumulation funds. This relationship is a concrete reflection of the relationship between production and livelihood in the field of distribution and also a concrete reflection of paying more attention to increasing social collective consumption.

Again, the harmonization between living consumption and exchange should be maintained.

The needs in people's lives are manifested to a great extent in the needs created by purchasing power while the realization of the needs created by purchasing power depends on the development of commodity production and exchange.

In the exchange field, it is particularly important to make the residents' ready cash basically commensurate with the available supply of consumer goods in terms of total amount, composition, region and time. For a long time in China, the residents' available cash has outreached the available supply of commodities. In recent years, this state of affairs has developed, resulting in continual strain in the market. At present vigorous efforts should be made to achieve a balance in the total amount of supplying demand as far as possible. At the same time, a balance should also be obtained in terms of composition; attention should be paid to product variety, design and color, and the phenomenon in which commodities are out of stock or overstocked should be avoided. In terms of regions, in the past, market supply in such regions as the northwest and the southwest was fairly strained as the result of one-sidedly stressing heavy industry to the neglect of agriculture and light industry. This practice brought about a phenomenon in which people used the money invested in their regions to buy consumer goods in big cities such as Beijing, Tianjin and Shanghai. This made life very inconvenient for the people. In terms of time, China's market situation at present depends to a great extent on agricultural production which remains unstable.

To ensure a stable life for the people, it is imperative to accumulate in good years to make up for lean years, to take into account both past experience and possible future situations, and preserve a long-term balance between the supply and demand of consumer goods.

While cash income remains unchanged, the living standards of the people are inversely proportional to the level of the retail prices of commodities. Price rises mean a decrease in living standards. In order to see that the people's livelihood is not affected by price increases, it is necessary to ensure that

the growth of the residents' cash income should not exceed the increase in labor productivity either. It is very difficult to fix a concrete quantity concerning the proper quantitative contrast relationship which should be maintained among the three, namely, labor productivity. The residents' cash income and retail prices of consumer goods in every historical period. Nevertheless historical experience can be used for reference. During the period of the "first 5-year plan," there was an increase of 52.1 percent in the output value per worker of industrial enterprises, a 42.8 percent rise in the average currency income of the staff and workers, an 8.6 percent gain in retail commodity prices, and the proportional relations between the three were 1 to 0.82 to 0.17. Calculated on this basis, today and in future every 10 percent increase in labor productivity will mean an 8.2 percent increase in the average currency income of the staff and workers and a rise of 1.7 percent in retail commodity prices. This will not too much interfere with the people's livelihood even though there will be some increase in commodity prices. Furthermore the improvement of the well-being of the people cannot possibly hold up the state's construction. Of course, it is necessary in future to readjust this quantitative relationship in light of the changes in the situation.

Finally, the harmonization between production, distribution and exchange should be maintained.

Besides maintaining harmonious relations between living consumption on the one hand and production, distribution and exchange on the other, production, distribution and exchange should also be well coordinated because they have a direct or indirect bearing on the well-being of the people. For example, in regard to production and distribution, how to rationally distribute the state's productive investments among the productive departments, such as agriculture and light and heavy industries, plays a direct and decisive role in the development of these productive departments. In addition, the growth of these productive areas has direct bearing on whether or not an improvement can be effected in the people's livelihood or to what extent it can be achieved.

Therefore, it is necessary to correctly distribute productive investment so as to promote the expansion of agriculture and light industry. Again, for example, with regard to circulation and production, whether in industry and commerce or agriculture and commerce, there exist many contradictions which directly or indirectly interfere with the life of the people. Some farm produce and sideline products and in particular, special local products, are urgently needed by the people. However, some commercial departments do not allocate funds to purchase them, either for fear of inviting trouble or for fear of making too meager a profit. In this way it is hard to develop production and also difficult to meet the demands of the people's life. Similar instances often occur in industry and commerce. Therefore coordinating the relationship between production and circulation is also necessary for the improvement of the people's livelihood.

All in all, the improvement of the well-being of the people and the realization of the strategic economic development are restricted by many socioeconomic as well as natural conditions. To satisfactorily solve this important question, we must correctly handle the relationships of all sides and spheres concerned from the higher plane of an overall balance of the national economy so as to ensure the harmonious development of the whole national economy.

NATIONAL POLICY AND ISSUES

'GUANGMING RIBAO' ON TECHNICAL TRANSFORMATION

HK170731 Beijing GUANGMING RIBAO in Chinese 7 Nov 82 p 4

[Article by Li Shihua [2621 0013 5478]: "Doing A Good Job in Technical Transformation in Enterprises Is the Key Link in Attaining the Strategic Goal"-- Passages within slantlines published in boldface]

[Text] The strategic objective of economic development in the next 20 years issues by the 12th Party Congress reflects the firm resolution of the whole party and nation to build our country into a socialist modern power. Doing a good job in technical transformation in enterprises is the key link to successfully attaining this strategic goal.

Since the founding of the PRC, we have scored great achievements in economic construction. The number of industrial enterprises has now increased to 380,000 units and the fixed assets owned by state-run enterprises amount to more than 480 billion yuan. Through the construction over the past 30 years and more, we have changed the situation in industry, which was backward and lopsidedly developed in the old China and have established an independent and comparatively integrated industrial system. China's output of major industrial products, such as steel, coal, petroleum and cement, has reached advanced world ranks. Great improvements have also been made in the distribution of productive forces. The proportion of fixed industrial assets in the interior has increased to 53.6 percent of the national total from 27.1 percent in the early days of the PRC. The number of industrial enterprises in the northwest and southwest regions has also increased from 300 to 80,000. This constitutes our solid foundation for marching forward toward the four modernizations.

However, for a fairly long time in the past, due to the erroneous "leftist" guiding ideology, we inappropriately expanded the size of construction to the neglect of technical transformation in existing enterprises. In those days, we were only keen on developing new projects and laid stress solely on capital construction and the building of new enterprises, without giving due attention to production and transformation in existing enterprises. Our development was then mainly on an extensive, but not an intensive base. As a result, many enterprises, especially some large-scale backbone enterprises, have become obsolete and outdated in equipment and technology and these enterprises have been faced with the serious problem that conditions for tests and trials are poor and products are backward.

At present, about 30 percent of equipment in Chinese industrial enterprises has run for a longer time than the designed period. The bulk of equipment in the machine building industry was installed in the 1960's and more than 60 percent of its products are still at the 1940's or 1950's level. The other 30 percent are at the 1960's level; and less than 5 percent of the products have attained the 1970's level. The bulk of equipment in textile and other light industries also stays at the technological level of the 1940's or the 1950's, with more than 20 percent needing to be replaced. All this shows that our industry, though having a certain foundation and being big in size, is still poorly equipped. For this reason, the party central leadership has decided that "in years to come, we must promote large-scale technical transformation in a planned way, popularize technical measures that have yielded good economic results, and actively introduce new techniques, equipment, technologies and materials." The leadership also specified that "it is necessary to carry out technical transformation in selected enterprises" during the sixth 5-year plan period and "carry out the technical transformation of enterprises on an extensive scale" during the seventh 5-year plan. This is a very realistic arrangement and is in good keeping with China's actual conditions. Only by doing a good job in technical transformation of enterprises, can we create a new way in our economic development, which is characterized by real and sound growth rates, good economic results and more benefits enjoyed by the people, and only thus can we successfully attain the strategic objective of economic construction in the next 20 years. The reasons are as follows:

/I. Doing a good job in technical transformation in enterprises can promote increase in industrial production and guarantee a certain growth rate of the national economy./

In the next 20 years, we will strive to quadruple the total annual output value of industry and agriculture--from 710 billion yuan in 1980 to about 2,800 billion yuan by the year 2000. This means that the average annual growth rate in this period will be 7.2 percent. In order to effect this growth rate, light industry must continue to maintain a certain growth rate and heavy industry must also be vigorously developed. In recent years, a great section of productive forces in heavy industry have lain idle and production has declined. The fundamental reason for this lies in the fact that heavy industry was mainly oriented to serving itself and the building of new projects in the past. During the national economic readjustment, the size of capital construction was cut down. This gave rise to the dearth of production assignments for heavy industry. That is, markets for heavy industry was a problem. To solve this problem, heavy industry must make efforts to readjust its service orientation and carry out technical transformation in its enterprises. According to statistics, the total value of equipment and tools of state-run enterprises in 1978 amounted to 270-280 billion yuan. If all the old equipment is replaced by new equipment within the next 10 or 15 years, the annual value involved in this replacement will be 27-28 billion yuan or 18-19 yuan, accounting for 15 to 23 percent of the output value of the machine building industry in 1978. This cannot only change the backward technological conditions in light and heavy industries, but can also solve the problem of the machine-building industry having insufficient production assignments. China's machine building industry has more than 100,000 enterprises, or about one third of the total number of industrial enterprises.

The output value, taxes and profits produced by this industry account for about 27 percent of the total amounts produced by industry as a whole. So the machine building industry can be counted as China's primary industry. If this industry can develop vigorously, other branches of heavy industry, such as metallurgical and iron and steel industries, will get the momentum to develop accordingly. Thus, our national economy can achieve a steady growth rate and our enterprises can be gradually modernized so that the national economy as a whole will be shifted onto a new foundation.

/II. Doing a good job in technical transformation in enterprises can promote energy conservation./

Energy shortage has become an important factor that affects the development of China's economy. Only when the energy problem is solved and energy supply and demand are equal, will it be possible to attain the strategic goal of economic development. With what method can we solve the energy problem? In the long run, we should rely on the exploitation of energy resources. But the construction period of a new energy project is always very long. Ordinarily, from prospecting and designing to starting operation, it will take 8 to 10 years or even longer to build a large-scale coal mine, or a large oil field, or a large-scale hydropower station. In the near future, we should mainly rely on energy conservation to overcome the difficulties caused by the energy shortage. In our country, energy wastage is very serious. To economize on energy, we should not only readjust the industrial structure, that is, develop more the industries of low energy consumption and less the industries of high energy consumption which have been excessively large in size, but more importantly, we should also carry out technical transformation with the focus on energy conservation in a planned and methodical way so as to continuously improve the efficiency of energy utilization. At present, more than half our production equipment is still at the level of the 1940's or 1950's in other countries. In China, the fuel consumption of gasoline engines and diesel engines is 10 to 20 percent higher than the advanced foreign level. Now, there are nearly 200,000 industrial boilers throughout the country. The fuel consumed by these boilers accounts for 30 percent of the total energy consumed throughout the country, but their average thermal efficiency is merely 55 percent or 20-30 percent lower than the foreign progressive level. If, in the next 5.7 years, 40 percent of the boilers with low thermal efficiency in the whole country can be transformed, we will save more than 20 million tons of standard coal. This is equal to building more than 30 coal mines with an annual output of 600,000 tons of coal each.

/III. Doing a good job in technical transformation in enterprises can promote the increase in financial income./

At present, the annual national income in China amounts to more than 300 billion yuan, but financial income is less than 120 billion yuan. In this case, it is difficult for the financial departments to allocate 30 billion yuan each year to handle construction. In order to realize the strategic objective of economic development in the next 20 years, that is, strive to quadruple the annual total output value of industry and agriculture by the end of this century and make Chinese people comparatively well-off in their livelihood. We must increase our financial income by a big margin. To improve our finances, it is important

to reduce expenditure as well as broaden sources of income. A long time ago, Comrade Mao Zedong pointed out that it was necessary to oppose the viewpoint of exclusively handling finance. Now, it is still necessary for us to guard against this tendency. Though technical transformation requires money to be spent, we should not neglect the fact that it can also increase income. The 1978 output value and fixed assets of state-run enterprises throughout the country were in the ratio of 1 to 1.22, but the ratio in advanced countries is 3 to 1. If this ratio is raised 0.1 point through technical transformation and the adoption of new techniques and technology, the industrial output value will thus increase by tens of billion of yuan and taxes and profits involved will increase by several, even over 10 billion yuan. It should also be noted that the investment in transforming an existing enterprise so as to expand its production is only one third as much as the investment in building a new enterprise with the same capacity. Moreover, equipment and materials used in the former can be saved by 60 percent and time can be saved by 50 percent as compared with the latter. Through technical transformation, the efficiency of equipment in enterprises will be improved, product quality will be better and the consumption of energy and materials will be lowered. Profits reaped by enterprises will surely increase so that the macroeconomic results in the whole country will improve. This will certainly mean sufficient strength is accumulated and necessary conditions are created for the realization of the strategic objective of economic development.

The key to successfully realizing the strategic objective of economic development in the next 20 years lies in the fulfillment of the tasks in the first decade, and the work in the first 5 years in particular must score achievements. Then, what questions need to be solved in doing a good job in technical transformation in enterprises during the first 5 years of the period of the sixth 5-year plan?

1. It is necessary to change our guiding principle. In the past, we used to increase production on a base of backward technology. Whenever increasing production was mentioned, we would think about the increase in manpower and equipment and would demand more investment and the building of more new projects. Our attention was exclusively directed to the increase in quantity while qualitative improvement was neglected. If we do not change this guiding principle, it will be very difficult to carry out technical transformation in a big way. In future, both key projects of construction and technical transformation should be handled simultaneously. It will not help if we lay stress solely on handling capital construction by increasing investment and enlarging the size of production. We should mainly rely on scientific and technological advances and doing a good job in technical transformation in enterprises. This is an important strategy for a very long historical period in future. We must take technical transformation in existing enterprises as the main form of expanding production and guarantee this work in the aspects of planning, allocation of funds and materials, and construction work. Necessary credit and tax policies should also be worked out so as to help the development of technical transformation.

2. It is necessary to work out an overall program. Technical transformation is extremely complex and painstaking work which cannot be handled independently in one trade or one area. It is necessary to closely combine the work of trades and areas together. At the same time, it is also necessary to link this work with the reorganization in industry, rectification in enterprises and the read-

justment of product composition. Therefore, we must evolve an overall program for technical transformation in enterprises, trades and key cities. When working out the overall programs, we must place the stress on key cities and enterprises and we should clearly realize that technical transformation needs to be carried out in the production of energy conservation products, important whole sets of equipment, key basic spare parts, machines and technology. Only thus can we work proper long-term and yearly programs.

3. National technological development should be associated with policy. Technical transformation is a process in which advanced technology will continuously replace backward technology. When new technology is to be adopted, the specific conditions in a trade or in an enterprise must first be taken into account so that better economic results can be achieved. Technical transformation in machine building should go before other industries. Funds for technical transformation need to be planned in an overall way and be earmarked for a special purpose only. In order to speed up the pace of technical transformation, we should actively support the work of importing technology so as to open up a new aspect as soon as possible. Technical "software" which is urgently needed should be gradually imported. When importing technology and equipment, we should take the specific conditions of our country into account, that is, we should consider our technological development orientation, technological strength, conditions for making equipment and the supplies of raw materials. Above all, economic results should be the first thing we need to consider. Never spend money on things that yield no result.

4. It is necessary to give guidance to technical transformation and to organize tackling key scientific and technological problems. The state should give more guidance to technical transformation in the field of macroeconomy, in particular, strengthen the study of all kinds of progressive and applicable technology and the promotion and application of this technology. It is necessary to organize the strength of scientific research, design, manufacturing and using departments and properly coordinate the work in all these departments. We should shift the achievements in scientific research from laboratories to factories and shift advanced technology from advanced areas and units to those less advanced areas and units so as to convert achievements in scientific research into productive forces. In order to meet the needs of technical transformation in future, we must strengthen the study of applied and basic sciences and organize the strength of all relevant parties to tackle the key projects in scientific research.

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NATIONAL POLICY AND ISSUES

'RENMIN RIBAO' ON TECHNICAL TRANSFORMATION

HK171100 Beijing RENMIN RIBAO in Chinese 12 Nov 82 p 5

[Article by Zhu Rongji [2612 6954 1015]: "Promote Large-scale Technical Transformation in a Planned Manner--Excerpts From a Speech Delivered at the Second International Symposium on Enterprise Management"]

[Text] Editor's note: Planned promotion of large-scale technical transformation is the key to achieving overall an upsurge in the national economy. The current economic situation imposes even more urgent demands on the technical transformation of existing enterprises. In the technical transformation of existing enterprises, we must first rely [on] both management and on policy. Meanwhile, we must also boldly draw on foreign capital, introduce technology, and energetically promote economic cooperation and technical exchanges between our country and foreign countries. [End of editor's note]

Planned promotion of large-scale technical transformation is a strategic task for economic development put forth at the 12th CPC National Congress. It is the key to bringing about an overall upsurge in the socialist economy and a fundamental guideline for future socialist economic construction.

Economic Development Calls for the Technical Transformation of Existing Enterprises

Shortly after the founding of the PRC, given a very weak industrial foundation and an extremely serious shortage of technical equipment, the focus of construction in the first 5-year plan was placed on capital construction, with 156 industrial projects as its core. In the 20 or more years since then, we have all along focused economic construction on large-scale capital construction. Consequently neglecting the effort of existing enterprises to tap their potential and make technical reforms. We have followed a road marked by relatively rapid development and rate of accumulation but relatively poor economic returns. This has taught us a painful lesson.

After the first readjustment of the national economy in the 1960's and experience of many years of production and construction, we have deepened our understanding of the path of industrial development.

Since the 3d Plenary Session of the 11th CPC Central Committee, there has been a more clearly defined change in the guiding ideology for industrial development. In December 1980, Premier Zhao Ziyang called for relying on existing enterprises to blaze a new trail in the development of our economy and for raising the issue of technical transformation of existing enterprises to a new high plane.

Under the guidance of this guideline, the work of tapping the potential of existing enterprises and introducing technical innovations has been strengthened. Through such means as allocating state funds, concentrating some of the enterprises' depreciation funds, granting loans for light and textile industries, and so forth, the priority given by the state to urgently needed measures for modernization and transformation has brought obvious results. This has played an important role in maintaining a certain rate of industrial growth during the period of readjustment, ensuring market supplies and adding to financial income.

In the past 3 years, the funds for priority modernization and transformation measures allocated by the state have reached a total of 12.1 billion yuan. The capacity to conserve coal, electricity, oil and water thus achieved has reached the equivalent of 19 million tons of raw coal, and the capacity to compress burning oil, the equivalent of 8 million tons. The capacity of restored power generating facilities has reached 4 million kilowatts. The increased capacity to transport coal from West to East and the increased port handling capacity for light industrial products and finished products put on the market has reached an annual output value of around 15 billion yuan.

A host of facts show that the production capacity achieved by tapping the potential of existing enterprises and by technical innovation and transformation generally requires two-thirds less capital than is needed to build new enterprises on a similar scale. This allows a 50 percent saving of equipment and a much shorter period for an enterprise to go into production (generally half to one year). Of the increased industrial output value of many areas in the past 3 years over 50 percent has been achieved through the tapping of the potential of existing enterprises and through technical innovation and transformation.

The main defects existing in work have been: increasing emphasis on output to the neglect of quality; overemphasis on "extension outside the confines of a factory" (some enterprises are marked by the phenomenon of "production encroaching upon supplements, supplements encroaching upon storehouses, and storehouses encroaching upon the road"), or attention paid solely to increasing the number of machines at the original technical level, without markedly changing the technical backwardness of enterprises.

The Urgent Demands of the Current Economic Situation

The current economic situation has imposed more urgent demands upon the technical transformation of existing enterprises.

Since its further readjustment in the past year, our national economy has started on the road to healthy development. From October last year, heavy

industrial production began to pick up. This has been followed by continued growth this year. A comparison of the total accumulation from January to September with the corresponding period last year shows a growth rate of 9.8 percent for heavy industry and 7.5 percent for light industry. The high-speed growth of heavy industry has put a further strain on energy and communications facilities. The solution to this is to "take two measures." One is to properly concentrate financial resources and enlarge the scale of energy, communications and other priority construction projects. Another is to arouse the initiative of existing enterprises and strengthen their technical transformation. Only by raising the technical level of enterprise (improving the quality and variety of products, and the technology and equipment for production), reducing the energy and material consumption for products and improving the economic results in production can we relieve the strains on energy and communications facilities and help reverse the situation of low demand for certain light industrial products. The first measure is to broaden sources of income; the second is to reduce expenditure. Neither of the two can be neglected. But the latter allows more saving of investment, and quicker and greater results. It must be given greater attention.

At present, the economic results of our enterprises are very poor, shown by the fact that the production of intermediate products consumed by production is on a very large scale. Total output figures for coal, electricity, petroleum, iron, steel, and so forth rank among the highest in the world. But the output of finished products for the people's consumption is relatively low. This is chiefly due to our backwardness in the fields of technology and equipment. The energy consumed (in terms of standard coal) for the creation of every \$10,000 of national revenue amounts to only 5.5 tons in Japan and 13.1 tons in Britain but 32.6 tons in our country. The overall energy consumption (in terms of standard coal) for every ton of steel is 0.6 tons in Japan and 0.8 tons in the United States but an average of 1.4 tons in our priority enterprises. Of the more than 10 million tons of rolled steel consumed in our machine-building industry every year, the utilization rate is only around 60 percent, but 80 percent in economically developed countries. It can be said that there is potential in every field; gold can be found everywhere. By strengthening enterprise reorganization and technical transformation we can greatly improve economic returns.

Rely Both on Management and on Policy

To strengthen the technical transformation of existing enterprises, we must both strengthen management and rely upon policy. In the final analysis, we must arouse the enthusiasm of existing enterprises.

1. We must first bring about a change in guiding ideology for technical transformation.

Technical transformation means, with the prerequisite of technical progress, using new technology, equipment, raw materials and techniques to improve the quality of products, develop new patterns, increase variety, and lower the consumption of energy and materials; it means promoting the upgrading and renewal of products, synthesizing society with the economy, and achieving extended reproduction chiefly by intensive methods.

Some comrades also talk about technical transformation, but only pay attention to making their enterprises bigger and bigger---from "small and complete" to "comprehensive and complete"; or they simply expand production capacity. Compared with new capital construction projects, such an approach brings slightly better economic results, but still does not constitute genuine technical transformation.

For example, we recently studied the transformation program of a bearings factory. It called for doubling the production capacity, or annually producing over 20 million additional sets of rolling bearings. An investment of only 60 million yuan was required. It should be said that the returns from the investment were relatively satisfactory; a newly built factory of a similar size might cost 200 million yuan. But the life of the bearings now produced in our country is short (3 or 4 times shorter than those produced in other countries). The rate of raw material utilization is low (only 36 percent compared with 55 percent in foreign countries). The performance is low (the noise 6 or 7 decibels higher). Therefore, the goal of transformation requires attention to new techniques, technology, equipment and raw materials. The quality of bearings must be improved to catch up with international standards. Thus, there is no need to increase the scale of production when double the use value can [be] obtained. Moreover, we can greatly reduce the consumption of raw and other materials (rolled alloy steel) and the appropriate consumption of energy. If all lines and industries carry out technical transformation according to this guiding ideology, the strains on energy and communications facilities will be believed, and the national economy improved.

In a certain sense, technical transformation means the transformation of products. The aim is to turn out products with greater use value and produce better economic returns. Generally speaking, it is not that we don't need to expand production capacity, but that we must seek expansion on the basis of new technical foundations. We must not just follow the old pattern without the least deviation.

2. Technical transformation chiefly calls for achieving technical reforms and the streamlining of equipment through the method of equipment value compensation. This is unlike capital construction and is closely related to the current production of enterprises. Technical transformation is in most cases effected under conditions where production goes hand in hand with transformation. Therefore, when it comes to management, we must not only stress plans but also allow quite a large degree of flexibility, avoiding the imposition of rigid controls. The important thing is to have a set of policies which encourage enterprises to seek technical progress and which help enterprises carry out technical transformation. At present, we must readjust policies with regard to pricing, taxation, credit, and so forth and strengthen planned management. Thus, enterprises will not only react to external pressures but also draw on their own intrinsic power to energetically carry out technical innovation and technical transformation.

3. Technical transformation must be carried out in a systematic manner with certain priorities, under the guidance of general plans and plans for each industry.

There must be plans for technical transformation at all levels. All industrial departments should formulate their own plans, and all regions should draw up regional plans. There must be coordination between these plans. Under the guidance of the plans for their industry and region, enterprises must formulate their own plans. In incorporating each item of a plan, we must first make a feasibility study; take into consideration the balance between energy, water supply, raw and other materials, communications and transportation, and other factors, and the linkup of appropriate auxiliary facilities; and also pay attention to linking them in turn with the control of environmental pollution.

Technical transformation must also be combined with industrial readjustment, and enterprise reorganization, integration and consolidation. If the leading group of an enterprise is not properly consolidated, and lacks "people who know what's what," we must not first carry out technical transformation on too large a scale.

4. Technical transformation must be carried out with an eye to the whole nation and must begin with central cities and backbone enterprises.

Ours is a very large country. We cannot carry out technical transformation by making a general appeal and getting things started all at once in an overall manner. Instead, we must get hold of central cities and of priority backbone enterprises affecting the whole situation and start with them first. Getting things started in Shenyang will have an effect on a vast area in the northeast. Getting things started in Shanghai will have a bearing on many provinces, municipalities and regions. If we give full play to the superior features of central cities and form a series of certain points or areas like bunches of grapes, we can set the whole nation in motion.

To pay attention to priority enterprises does not mean neglecting general ones. The technical transformation of medium-sized and small enterprises often needs little investment and achieves quick results. They should not be neglected.

5. Funds for technical transformation come chiefly from an enterprise's own money, or from bank loans.

In the sixth 5-year plan, there will not be much increase in the state's capital construction investment. Funds will be concentrated on energy, communications and other priority construction projects. Therefore, in carrying out technical transformation, we can only make full use of certain areas' or enterprises' own funds, including depreciation funds, funds for the development of production from profits retained for enterprises on a percentage basis, bank loans, foreign investment, and so forth. This amounts to quite a lot of money. We must guide enterprises to devote more of this kind of money to their own technical transformation. This is an important issue, and has a bearing on whether technical transformation can be properly carried out.

Boldly Draw on Foreign Capital and Introduce Technology

Technical transformation must be combined with a domestic effort to overcome technical problems and with the introduction of foreign technology. Only in this way can we produce maximum economic results.

Since our country implemented an open-door policy, results have been achieved in introducing technology. But in the past, we put too much emphasis on mainly importing whole sets of equipment. We did not pay enough attention to the technical transformation of existing enterprises. The accumulated experience of many years shows that in introducing technology, we must pay attention to the following several aspects.

We must introduce advanced techniques suited to our country's resources, production conditions and management levels. We cannot always ask for the latest techniques. Generally speaking, it is extremely difficult and costly to introduce the most advanced techniques from foreign countries. We must limit ourselves only to a small number of necessary items. Our guideline is to chiefly introduce suitable advanced techniques. Meanwhile, on the basis of self-reliance, we must step up the work of digestion, assimilation, popularization and innovation.

2. In introducing technology, we must, with the improvement of economic returns as the focus of attention, try to raise quality, increase the variety of products, reduce consumption, stimulate the upgrading of products and the creation of new products, and raise the technical level of production.

3. In introducing technology, we must stress the introduction of "software," 1.3. Techniques with regard to design, technology, manufacture, management, and so forth, including licensed trade, cooperative production, technical services, advisory councils and other patterns of operation. Where needed, we must also import prototypes, surveying and measuring instruments and meters, important equipment and necessary production lines which cannot be produced by our country.

4. We should make a point of preventing the large-scale importation of the same things, and reducing equipment imports. Those items with high demand on the domestic and international markets and giving high returns on investment can still be imported, where technology and equipment in our country do not permit their manufacture, or where their manufacture can be managed but with no guarantee of the same quality or of delivery according to schedule. In the latter case, the aim is to save time. Some repetition of imports is not too dreadful either.

5. In introducing technology, we must emphasise medium-sized and small projects. Comrade Deng Xiaoping pointed out on many occasions that we must boldly draw on foreign capital, introduce technology and transform medium-sized and small enterprises. We must get "thousands upon thousands of projects" started. Unlike the importation of whole sets of large-sized equipment, there is no risk involved. We should ease up a bit, relax our policy appropriately, assign proper authority concerning examination and approval, and strive to simplify procedures, in order to stimulate the development of this work.

Regarding the use of foreign capital, we have now chiefly adopted the following methods. One is to obtain long-term low-interest loans from foreign governments and international financial organizations. Another is to induce foreign businessmen to make direct investments. Up to the first half of this year,

the agreed amount of investment reached about \$3 billion, covering 44 Chinese-foreign joint enterprises, 425 agreements for cooperative operations, more than 600 compensatory trade contracts, and so forth. All these arrangements are recognized and protected by our laws. Great progress has been made in this field. The technical transformation of our existing enterprises has received a boost. This has had a healthy effect on our national economy.

To introduce an open-door policy and expand economic and technical exchanges with foreign countries according to the principle of equality and mutual benefit is our country's firm and unswerving strategic guideline. To draw on foreign capital and introduce technology is a farsighted strategy for development. We must energetically organize international exchanges, carry out technical surveys, seek advice, encourage technical and trade cooperation, introduce thousands upon thousands of technical items, and transform our existing enterprises. This is of great significance in accelerating the modernization of our country and achieving the goal of quadrupling the total annual output value of industrial and agricultural production.

CSO: 4006/113

ECONOMIC PLANNING

HEILONGJIANG'S JIAMUSI CITY DEVELOPS PRODUCTION

OW270601 Beijing XINHUA Domestic Service in Chinese 1503 GMT 20 Oct 82

[Excerpts] Harbin, 28 Oct (XINHUA)--XINHUA editor's note: How do various localities draw up feasible development plans in the light of actual local conditions to achieve the goal of quadrupling China's annual industrial and agricultural output value by the end of this century, as defined by the 12th CPC National Congress? This is an important question now being studied by leading departments concerned in various localities. Instead of carrying on empty discussions and home studies, leading party and government cadres of Jiamusi Municipality went out to conduct investigations and study, and in so doing, found a new way of developing production, by establishing links between the urban and rural areas. Such a way of doing things should be popularized. What makes Jiamusi experience valuable is that by establishing links between the urban and rural areas, a new productive force came into being with less state investment or no investment at all. Their practice also proved that, so long as we go deep into the realities of life and dare to blaze a new trail, it is not difficult to achieve the goal of quadrupling the annual industrial and agricultural output value. (End of editor's note)

According to XINHUA correspondents Chen Jianfa and Lu Hongbin, leading party and government cadres of Jiamusi Municipality, Heilongjiang Province, have linked the study of the documents of the 12th CPC National Congress with discussion of the municipality's plans for developing production. In the process, the secretary of the municipal CPC Committee led the cadres in stepping out of their offices to conduct investigation and study and found a new way to jointly develop production by linking the urban and rural areas to make use of the tremendous productive forces stored there. They held that, if all areas throughout the country where conditions exist do the same, it is more certain that we can achieve the goal of quadrupling the annual industrial and agricultural output value by the end of this century.

The new way mentioned here means that the cities and rural areas will each put superiority into play, carry out economic integration and jointly develop energy, raw materials and other important production projects to make full use of equipment and funds in the cities and to raise the peasants' income.

Zhou Wenhua, secretary of the municipal CPC Committee, led 10 leading party and government cadres from Jiamusi to conduct investigation and study in 6

including Huanan, Huachuan, Luobei and Boli, to find ways to put the superiority of the cities and rural areas into play and to develop production by establishing links between the urban and rural areas. According to their analysis, the superiority of the cities lies in their relatively strong industrial foundation, comparatively abundant technical forces and the availability of funds. The superiority of rural areas is characterized by the abundance of farm and animal products and numerous resources underground--but the lack of funds and technical forces has curtailed further development. The investigation showed that these six counties have many underground resources, including coal, gold, quartz and amber. On the basis of the principle of mutual benefits, Jiamusi Municipality signed 30 agreements of economic integration with these 6 counties. These agreements covered the following three areas:

First, Jiamusi Municipality's industrial enterprises will provide funds to jointly develop coal resources with Huanan and Boli counties; various counties will pay in coal, in line with measures governing compensatory trade, to compensate for the investment made by Jiamusi's industrial enterprises. This will increase the income of various counties and at the same time also solve the energy shortage problem faced by Jiamusi.

Second, technical cooperation between the urban and rural areas: As some of the enterprises in Jiamusi Municipality cannot sell their products, the workers do not have work and the equipment and technical forces are not being fully used. On the other hand, various counties are in urgent need of equipment and technical forces to develop their local industries. To cope with this situation, Jiamusi Municipality decided to provide them with equipment and carry out technical cooperation to help solve their problems in production.

Third, to open up the channels of circulation between the urban and rural areas and vigorously develop industrial and agricultural production. In the course of investigation, they felt that the channels of circulation between the urban and rural areas was impeded, becoming a salient problem. To rectify the situation, Jiamusi Municipality decided that various professions and trades should be organized to conduct periodical investigation in the rural areas in order to organize production, based on the needs of the rural areas. In the meantime, industrial and commercial departments in the urban and rural areas will take care of marketing of products jointly or on a contractual basis. Another sales center for agricultural and sideline products will be set up in Jiamusi Municipality to draw agricultural and sideline products into the city from the rural areas. All these measures are to be adopted to promote industrial and agricultural production.

Jiamusi Municipality's way of establishing links between the urban and rural areas to jointly develop production has attracted the attention of representative currently attending the Sixth Plenary Session (enlarged) of the fourth Heilongjiang Provincial CPC Committee. The Heilongjiang Provincial CPC Committee is planning to popularize this experience.

AGGREGATE ECONOMIC DATA

NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below, dates in the first column indicate periods compared, the gross value of industrial output is abbreviated as GVIO, heavy industry as HI, light industry as LI, textile industry as TI, gross value of agricultural output as GVAO, and gross value of agricultural and industrial output as GVAIO.]

NATIONAL AGGREGATES

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
1982: 1981 Jan-Sep	GVIO: 8.6	409.2 b		1
1982: 1981 Jan-Sep	HI: 9.8	203.7 b		1
1982: 1981 Jan-Sep	LI: 7.5	205.5 b		1
1982: 1981 Jan-Sep	coal: 8.1			1
1982: 1981 Jan-Sep	electricity: 6.9			1
1982: 1981 Jan-Sep	crude oil: 1.0			1
1982: 1981 Jan-Sep	natural gas: -7.0			1

PROVINCIAL-LEVEL AGGREGATES

<u>Gansu</u>				
1982: 1981 Jan-Sep	GVIO: 10.5	671.6 m	80.1	2
<u>Guangdong</u>				
1982: 1981 Jan-Jul	LI: 13.5			3
<u>Hebei</u>				
1982: 1981 Jan-Aug	LI: 14.6			4

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Henan</u>				
1982 Sep: 1982 Aug	GVIO: 13.7	1.88 b		5
1982 Sep: 1982 Aug	LI: 15.1			5
1982 Sep: 1982 Aug	HI: 12.3			5
1981: 1978	GVAO: 7.6 (avg. annual incr.)			6
	LI: 16.9 (avg. annual incr.)			6
<u>Hubei</u>				
1982: 1981 Jan-Sep	GVIO: 11.6	19.65 b		7
1982 Sep: 1982 Aug	GVIO: 10.5	2.354 b		7
<u>Jilin</u>				
1982: 1981 Jan-Jul	GVIO: 7.4			8
<u>Liaoning</u>				
1982: 1981 Jan-Jun	GVIO: 8.7			9
<u>Nei Monggol</u>				
1982: 1981 Jan-Sep	LI: 11.8	502.98 m		10
<u>Qinghai</u>				
1982: 1981 Jan-Sep	GVIO		83.9	11
1982: 1981 Jan-Sep	LI: 34.3			11
1982: 1981 Jan-Sep	HI: 3.0			11
<u>Shaanxi</u>				
1982: 1981 Jan-Sep	GVIO: 7.8		75.0	12
1982: 1981 Sep	GVIO: 11.9			12
<u>Shandong</u>				
1982: 1981 Jan-Sep	GVIO: 6.86		75.6	13
1982 Sep: 1982 Aug	GVIO: 6.27			13
1982: 1981 Jan-Jun	HI: 7.88			14
1981: 1978	GVAIO: 6.2 (avg. annual incr.)			14
1981: 1978	GVIO: 5.7 (avg. annual incr.)			14
1981: 1978	GVAO: 7.3 (avg. annual incr.)			14
1981: 1978	LI: 12.1 (avg. annual incr.)			14

<u>Date of period of comparison</u>	<u>Increase in percent</u>	<u>Value, in yuan</u>	<u>Percentage of annual plan</u>	<u>Source</u>
<u>Shanghai</u>				
1982: 1981 Jan-Sep	GVIO: 6.1		75.3	15
1982: 1981 Jan-Sep	LI: 6.0	1.53 m		15
1982: 1981 Jan-Sep	HI: 6.3	1.22 m		15
1982 Sep: 1981 Sep	HI: 4.2			15
1982: 1981 Jan-Oct	GVIO: 8.6			16
<u>Sichuan</u>				
1982: 1981 Jan-Aug	GVIO: 11.0			17
1981: 1978	GVAO: 20.6	20.94 b		18
1981: 1978	GVAO: 6.4 (avg. annual incr.)			18
1981: 1978	LI: 45.8	141.5 b		18
1981: 1978	LI: 13.4 (avg. annual incr.)			18
1981: 1978	HI: 2.8			18
1981: 1978	HI: 0.9 (avg. annual incr.)			18
<u>Xinjiang</u>				
1982: 1981 Jan-Aug	GVIO: 11.0		60.0	19

Source

1. Hong Kong ZHONGGUO JINGJI XINWEN No 14, 25 Oct 82 p 5
2. Lanzhou GANSU PROVINCIAL SERVICE 1125 GMT 17 Oct 82
3. Guangzhou GUANGDONG PROVINCIAL SERVICE 24 Sep 82
4. Shijiazhuang HEBEI PROVINCIAL SERVICE 19 Sep 82
5. Zhengzhou HENAN PROVINCIAL SERVICE 1100 GMT 13 Oct 82
6. Zhengzhou HENAN PROVINCIAL SERVICE 1100 GMT 20 Sep 82
7. Wuhan HUBEI PROVINCIAL SERVICE 1100 GMT 11 Oct 82
8. Changchun JILIN PROVINCIAL SERVICE 2200 GMT 17 Oct 82
9. Shanghai SHIJIE JINGJI DAOBAO 30 Aug 82 p 1
10. NEI MONGGOL REGIONAL SERVICE 1100 GMT 16 Oct 82
11. Xining QINGHAI PROVINCIAL SERVICE 2330 GMT 17 Oct 82
12. Xian SHAANXI PROVINCIAL SERVICE 0500 GMT 25 Oct 82
13. Jinan SHANDONG PROVINCIAL SERVICE 2300 GMT 14 Oct 82
14. Jinan DAZHONG RIBAO 26 Aug 82 p 1
15. Hong Kong ZHONGGUO XINWEN No 82238 11 Oct 82 p 5
16. Beijing XINHUA 1400 GMT 5 Nov 82
17. Chengdu SICHUAN RIBAO 4 Oct 82 p 1
18. Chengdu SICHUAN RIBAO 5 Sep 82 p 2
19. Urumqi XINJIANG REGIONAL SERVICE 1300 GMT 15 Sep 82

CSO: 4006/104

ECONOMIC MANAGEMENT

'QUALITY MONTH' CAMPAIGN LAUNCHED

Shaanxi SHAANXI RIBAO in Chinese 29 Aug 82 p 2

[Article by Deputy Governor San Kehua [1327 0344 5478]: "Promptly Swing Into Action, Positively Launch 'Quality Month' Activities To Improve the Quality of Our Province's Products, Increase Economic Effectiveness, Make New Contributions")]

[Text] Comrades,

September of this year will be our fifth national "Quality Month." The State Council is paying full attention to this year's "Quality Month" activities. In the afternoon of 27 August Comrade Zhang Jingfu, state counselor and minister in charge of the State Economic Commission, made an important speech during the National Quality Month Mobilization Telephone Conference in which he requested that this year's "Quality Month" activities focus on improving economic effectiveness and extensively develop "seek real [economic] effectiveness, satisfy the customers" activities. We must positively respond to the State Council's appeal; earnestly implement the spirit of Comrade Zhang Jingfu's speech; with unanimity from top to bottom, promptly swing into action; by means of propaganda, inspections, investigations, visits, commendations, and other methods stress quality and high-grade goods; and solidly launch "Quality Month" activities in order to increase economic effectiveness and make contributions!

In the course of the "Quality Month" activities during the past 4 years the quality of most of the products on our province's industrial and communications front has essentially been restored to the highest level in history. The quality of some products has even undergone new development and improvement. By the end of last year, the high-quality goods of the national, ministerial, and provincial levels in our province totaled 334, 33 of which won "gold quality" and "silver quality" awards. During the past 2 years, the addition of more than 1,300 new products brought into trial production have further enriched the market and filled voids in some industries at the national and provincial levels. Some of those products have penetrated international markets. However, in that regard there are still a considerable number of problems, the principal ones of which are: the variety of colors and designs of products has not increased fast enough and the situation of producing "same old products year after year has not yet been completely transformed; the quality of products is not sufficiently stable, and during the first half of this year the rate of stable improvement was only 75.6 percent; the quality of some famous

brands seriously declined and has not yet begun to recover; after production orders pick up there appears the tendency to ignore quality and technical services with regard to some heavy industrial products; and because they do not cater to the market demand or are of inferior quality and are highly priced, there has appeared the phenomenon of unsalable and overstocked products. A few units even practice quality fraud. The reasons for those problems are that the "quality first" concept has not become firmly entrenched, management work has not been well done, and the basic work has not kept pace. Now I will offer a few opinions about how to do a good job of this year's "Quality Month" activities:

1. Firmly establish the quality first concept, make progress in comprehensively developing quality control, and put the guiding ideology of industrial production on the path of emphasizing the enhancement of economic effectiveness. In "Quality Month" activities, we must extensively disseminate the quality first concept; must incessantly propagate the idea that the improvement of quality, increasing the variety of goods, and satisfying the people's steadily increasing material and cultural needs are the basic goals and fundamental laws of socialist production; must propagate the important role of improving quality and increasing product variety and in the process of raising economic effectiveness; must propagate the ensuring function of all-round product control in improving the quality of products; foster the quality first concept by producing high-quality products with an eye on quantity, speed, and economy; and must open up a new prospect for industrial production by means of improving quality and increasing variety.

2. Carry out quality inspections on a large scale, which is one of the important contents of the "Quality Month" activities. Each prefecture, profession, and enterprise must organize forces and inspect the implementation of the "four don't system" (i.e., don't use unsuitable raw materials in production; don't use unsuitable semifinished goods; don't let finished products, which do not meet specifications, leave the factory together with those that do; and don't calculate products which don't meet specifications as part of the output value or output volume) and of the "three-guarantee system" (i.e., guarantee repairs, guarantee exchanges, and guarantee refunds). When problems arise they must be promptly resolved. Quality inspections are intended to ascertain if a given product caters to the market demand, to collect information on customers' response, and to strengthen market forecasts. In the inspection of sanitation conditions of food products, with regard to those that do not meet standards, rectification must be undertaken and corrections must be made by the prescribed time. In inspecting the steady improvement of the quality of fine products, if a decline in their quality cannot be corrected within the specified time it is necessary to revoke their "superior quality" designations. The relevant bureaus of each prefecture, municipality, and the province must act promptly on, and earnestly carry out, those inspection tasks.

3. Extensively develop "worry about what consumers worry about, think about what consumers need" activities to serve consumers. To wholeheartedly serve consumers is the core of all-round quality control and is the major content of "Quality Month" activities. Further improvement of service to customers demands immediate attention. All industrial communications enterprises must adopt the methods of going out to solicit opinions, inviting consumers to the factory to

participate in discussions, serving as shop assistants, etc.; directly listen to the opinions of customers; keep records of their opinions; and do a good job of such tasks as organizing a service, maintenance and repair network and helping consumers train repair, operation, and other personnel, and make those activities lively and highly effective so that they truly satisfy consumers. Once those forms are established, they must be institutionalized on a long-term basis. Moreover, we must be on guard against all manifestations of going through the motions and formalism.

In order to do a good job of maintaining product quality and serving consumers, it is imperative to create strong social supervision and supervision by public opinion. Only by praising people when product quality is good and criticizing them when it is poor can there be prospects for improving product quality.

4. It is necessary to make great efforts to praise and encourage advanced products, and create a strong established practice of achieving honors for high-quality products.

In this year's "Quality Month" activities we must organize mass rallies on a certain scale, concentrate on commending the enterprises which won 1982 state gold and silver product quality awards and provincial excellent product quality awards, and commend the national and provincial distinguished quality-control groups. We must also commend units which attain excellent accomplishments in promoting all-round quality control. By means of commendation and encouragement on a large scale and achieving honor for excellent product quality, all-round product quality control will become a common practice. Especially, it is necessary to commend the capable, far-sighted factory directors who make a breakthrough by mobilizing the masses to improve quality and increase product variety. Leading cadres in industrial and communications enterprises must be organized and to learn from them, the in-depth quality control must be pushed forward.

The groups leading the "Quality Month" activities of bureaus and enterprises at all municipal and provincial echelons must immediately swing into action, step up their leadership of those activities and, in accordance with regulations, promptly submit summary reports.

Comrades! This year's "Quality Month" activities are beginning at the same time as the convening of the 12th CPC National Congress. Let us unite, create famous brands, and strive for excellent quality and, by means of the practical activities of attaining good product quality, increasing the variety of colors and designs, and increasing economic effectiveness, celebrate the victory of the convening of the 12th CPC National Congress and make new contributions to accelerating the "four modernizations!"

5616
CSO: 4006/651

ECONOMIC MANAGEMENT

EFFECTIVE MEASURES AGAINST ECONOMIC CRIMES IN PEOPLE'S BANKS URGED

Beijing ZHONGGUO JINRONG [CHINA'S BANKING] in Chinese No 16, 19 Aug 82
pp 1-4

[Article: "Comrade Li Fei's [2621 7378] Speech at the People's Bank System Report Meeting on Combatting Serious Criminal Activity in the Economic Sphere (Extracts)"; speech delivered 26 July 1982]

[Text] Basic Status of Work in the First Half Year

Since the publication of the "urgent Central Committee Circular," banks at all levels have, in accordance with the relevant guidance of the Central Committee and the State Council and under the unified leadership and command of the local party and government organs, waged a continuous struggle against serious economic crimes and have achieved satisfactory results. They uncovered and dealt with some serious cases of economic crimes, combatted criminal elements, and made some criminal elements confess; they strengthened the banks' oversight activity, put a stop to some instances of lawbreaking and breaches of discipline; and conducted lively education work with the banks' cadres and employees on the struggle against corruption. We may state that the people's bank system's struggle against serious economic crimes has taken on broad scope and the situation is excellent.

In the struggle during the first half of the year, the following activities were carried on.

1. Documents were studied and awareness raised. The banks at all levels passed out and studied the "Urgent Central Committee Circular," Central Committee Document No 17, the National People's Congress Standing Committee "Decision on Severe Punishment for Crimes Which Seriously Harm the Economy," and the "Decision to Combat Serious Criminal Activity in the Economic Sphere" issued by the Central Committee and the State Council. In addition they studied Comrade Hu Yaobang's important instruction to the effect that "the banking comrades are requested to sound the call to banks at all levels throughout the country that wrong and improper loans must not be made." Study and the actual struggle gradually raised awareness of waging this struggle. It was gradually realized that serious criminal activity in the economic sphere is an important expression of the class

struggle in economics under the new historic conditions, and that waging this struggle is a major matter affecting the fate of party and state. Everyone concerned with the future of the party and state must overcome all difficulties, put aside all hesitation and actively commit himself to the struggle.

2. We have strengthened organization and leadership and have set up special groups. The main bank, the province, city and autonomous region branches and many of the local, city or county banks have decided to have their party organization secretary, deputy secretary or members undertake this work and have set up special administrative organizations to provide organizational support for the struggle. In order to strengthen specific leadership of this work, we and the China Agricultural Bank and the Bank of China have jointly issued a "Notice on Implementing the 'Urgent Central Committee Circular' and Comrade Hu Yaobang's Instructions," have designated the struggle against serious economic crimes as a major task of the banking system this year, and have put forward five specific requests. At the conference of People's Bank branch managers held this March we also made specific arrangements and dispositions. Under the leadership of the local party committees and governments, the province, city and autonomous region bank branches have waged this struggle actively and conscientiously, have held many meetings to study the situation and have dispatched cadres to the basic-level banks to conduct inspections and oversight.

3. We have investigated and dealt with cases of economic crimes in the banks and struggled against criminal elements. The main bank and the banks at the various levels have taken very seriously the investigation of serious economic crimes. During this period the main bank selected nine major representative cases to give the local party and government organizations and bank branches direct assistance in investigating and dealing with economic crimes by providing a summarization of experience and furnishing guidance for their work. Some branch banks sent our large numbers of authorized personnel to concentrate on investigating and dealing with major cases. The leadership comrades of many banks personally took the initiative in handling such cases, solving them quickly and dealing a blow to criminal elements.

On the basis of incomplete statistics from the branch banks in 29 provinces, cities and autonomous regions, by the end of June the People's Bank system had uncovered 442 relatively large cases, of which 205 have already been completely or largely dealt with; some 70 persons have already been sentenced and 53 more are in custody awaiting disposition of their cases.

4. In its struggle against economic crimes, the People's Bank initially acted to prevent their continuation. Some banks put a stop to illegal activity and breaches of discipline, while others uncovered criminal activity. Preliminary statistics from the Sichuan Province branch bank show that within a year 353 cases of illegal activities such as graft, embezzlement, speculation and fraud amounting to more than 4.80

million yuan were uncovered. The branch banks of Hubei, Jilin, Jiangsu, Shanxi, Guangxi, Shanghai and Tianjin also made important initial efforts to stop crime, with rather good results.

5. Attention was devoted to education on the struggle against corruption and ideological awareness was raised. The banks at all levels have made use of various forms such as positive and negative models to conduct communist, patriotic, law-and-order and job-integrity education for the party members, cadres and employees, and particularly young employees. They raised the cadres' and employees' awareness of resisting corrosion by capitalist ideology.

To summarize, in the first half-year a good deal of work has been done in our struggle against serious economic crimes and some results have been achieved, but we still are far short of meeting the requests of the Central Committee and State Council, and the struggle is developing very unevenly. The main problems which persist are as follows.

1. Some cadres, particularly some leadership cadres, do not sufficiently realize the importance of attacking serious criminal activity in the economic sphere, and their leadership is unsufficiently effective. Some of them believe that once they have studied the documents and made an overall financial inspection which uncovers no major cases, there is nothing left to be done; some banks that have dealt with some instances of economic crime feel that they have done well and can wind up the matter and relax; some believe that the cases are so far-reaching and complex that the banks alone cannot deal with the problem and have adopted an attitude of dependency and fear of difficulty; others merely stress objective causes and do not make any stringent demands on the banks themselves; while still others are afraid that the wrongdoers may be rehabilitated and attempt reprisals.

The types of confusion and erroneous thinking described above indicate an inadequate understanding of the far-reaching, major importance of the struggle against economic crimes and a failure to understand that the very existence of the party and state is involved, while on the other hand they are evidence of an underestimation of the importance of the bank's position in the struggle and the seriousness of the problems within the banks and a failure to fully appreciate the changes which have taken place in the makeup of the banks in recent years. As a result, to date some banks have not yet involved themselves in the struggle and have not put it on their party committees' agendas. Although these are isolated instances, they must not be permitted.

2. Political and ideological work has been inadequate. Some leadership groups are dispersed and weak and have been lax in political and ideological work, concerning themselves only with their functional duties and not with politics, and failing to provide education and correction for unhealthy tendencies among cadres and employees and not dealing with problems in timely fashion, so that there have been instances where good actions have gone unpraised and bad actions have gone unchallenged. As a result, some

employees have been unable to resist corrosion by capitalist ideology and have even sunk deeper and become unable to extricate themselves, taking the road of crime.

3. There are many loopholes in the banks' management of credit, balancing of records management of accounts, handling of cash reserves and bullion, and financial management, and criminal elements can take advantage of them. The most pervasive problem is failure to adhere to regulations. Many banks let things slide in regard to management, so that the requisite oversight and examination are absent. As a result, some problems which originally would have been easy to discover cannot be discovered in time, while others which are discovered are not dealt with in time. Others, when implementing the policy of an open door to foreign trade and stimulation of domestic markets, only stress stimulation and ignore discipline or are lax in it, in addition to which in some cases the systems themselves are imperfect, providing opportunities for economic criminal elements.

4. The leadership of some banks is not energetic in attacking economic crime and their measures are ineffective, and they have not been resolute in investigating and dealing with major cases that have already been uncovered and have progressed only slowly. The result has been that cases that in essence could have been examined and dealt with in timely fashion drag on without resolution; situations of this type must rapidly be set right.

Suggestions on Work for the Second Half-Year

1. We must again study the relevant documents of the Central Committee, the State Council and the Central Committee's Committee on Discipline regarding the struggle against serious criminal activity in the economic sphere, as well as the relevant speeches by members of the Central Committee leadership, and further raise consciousness regarding this struggle. The decisions of the Central Committee and the State Council and the speeches of the Central Committee leadership state that leadership cadres at all levels must constantly maintain party members in a state of clearheadedness and use the Marxist viewpoint and the viewpoints of class struggle to analyze and study problems. We must raise our proletarian consciousness and constantly keep an vigilant eye on the struggle between capitalist corruption and socialist resistance to corruption. Our awareness must be unified and raised to this level.

When they restudy the document, the leadership comrades of the banks at all levels must take the lead, conscientiously examine the respects in which we have fallen short of the Central Committee's requests and consider whether we have maintained our unity. They must study how to act effectively in the future. Next, they must effectively organize study for bank cadres and employees, so that they thoroughly understand the important position which the banks occupy in this struggle, are made vigilant against attack by the sugar-coated bullets of the criminal elements, carry out their duties with integrity, observe discipline, obey the law, strengthen oversight, hold the key positions securely and firmly hold the socialist banking front in order to actively contribute their strength to attacking serious criminal activity in the economic sphere.

2. We must strengthen organization and leadership and take effective measures to investigate and deal with large and serious cases. A major effort must be made to achieve results soon. Banks at all levels must, under the unified leadership of the local party committees, take effective steps to strengthen leadership of this struggle. There are three key points. First, the main leadership must become personally involved and must include this struggle on the party committees' agenda, examine the state of the struggle in timely fashion, and solve problems which occur during its course. Second, locations in which specialized administrative organizations have not been set up must immediately establish them. If these organizations have already been set up but no one from the relevant departments is taking part in them, they must be supplemented and strengthened. Numbers are not the most important thing; stress should be laid on quality. Third, large and important cases must be studied and arranged in order of priority and the "four designations and one thorough" system used in the investigation and disposition of the cases. The "four designations and one complete" are: designated leadership, designated personnel, designated times, designated quality in handling the cases, and thorough pursuit of the case until success is achieved. In the second half of this year, the branch banks and local and municipal banks must designate some large and major cases as their focal points and obtain success in them by a specific date.

3. Policy must be followed and emphasis must be laid on due process. In handling cases we must consistently proceed according to party policy and the laws of the state. When investigating and dealing with major cases, particular stress must be laid on operating according to established legal procedures. We must conscientiously pursue investigations, persistently seek the truth from the actual situation, strictly carry out party policy, and see to it that evidence is conclusive, the determination of the offense correct, the procedures completely followed, and the persons confronted with the evidence. The cases must be handled with high quality and the results must be able to withstand the scrutiny of history.

In investigating and dealing with these cases, policy must be correctly carried out, and the two different types of contradictions must be strictly distinguished and correctly handled. Work errors must be distinguished from crime, unhealthy tendencies in economics must be distinguished from economic crimes, and smuggling, graft, bribe-taking, speculation and fraud must be distinguished from problems in implementation of the open-door policy and invigoration of domestic markets arising as a result of certain imperfections in systems and methods, and when determining the nature of the crimes, individual corruption must be distinguished from substituting organizational loyalty for public spirit.

In carrying on the struggle we must refrain from conducting a mass movement or putting everyone to the test, but the mass route must be taken and thorough and detailed ideological education work must be conducted. Legal weapons must be used effectively, party regulations and party laws strictly followed, and political discipline and established legal procedures and laws adhered to.

Attacking serious criminal activity in the economic sphere is a serious struggle of the proletariat against corrosion by capitalist ideology and an important party-wide rectification measure aimed at purifying party organization, correcting party work style, improving the party's fighting capabilities; accordingly, the handling of the cases must be closely coordinated with rectification of basic-level party organizations and leadership groups. In the case of weak and diffuse or unreliable leadership groups, the higher-level banks must send out effective cadres to help readjust and reorganize them. Persons who are not suited for work in critical departments must be resolutely transferred. When handling the cases, a purely economic approach must be overcome and cases which should be handled in legal terms must be so handled.

4. Steps must be taken to plug loopholes. In general, the banks' rules and regulations are effective and well-ordered, but because of inadequate investigation and surveillance there are many loopholes in their work. We must continually sum up the lessons of experience, discover loopholes, take effective steps and resolutely plug them. Effective rules and regulations must be strictly applied, while those which are imperfect must be revised and supplemented where problems have become apparent; unsuitable regulations must be studied and redrafted. In short, no opportunities must be provided to economic criminals.

In order to strike more effectively at serious criminal activity in the economic sphere, we recently drafted a document entitled "Several Prescriptions for Strengthening the Management of Banking and Attacking Economic Crimes Such as Smuggling and Black-Marketeering," which has already been submitted to the State Council for examination and approved. Effective steps must be taken in credit and account management, accounting, management of cash reserves, handling of bullion, management of foreign exchange and the struggle against counterfeiting, and bank management work must be strengthened so that the banks truly become impregnable to economic criminal elements.

5. We must conscientiously strengthen ideological and political work and carry out anti-corruption education among cadres and employees. It is clearly evident from the struggle in the first half-year that ideological and political work in some units has been weak and ineffective, so that capitalist ideology has been able to move into the vacuum. In order to struggle against capitalist corrosion, we must strengthen our ideological and political work and educate cadres and employees in socialist and communist ideology, the ideology of wholehearted service to the people and the ideology of performing one's duties with integrity, following discipline and obeying the law, so that they can resist and defeat corrosion and attacks by capitalist ideology. We must not only use typical negative examples effectively in educating employees, but must be sure to cite progressive units and individuals who have struggled against serious economic crime. Leaders at all levels must give clear support to comrades who dare to struggle against crime and indiscipline, and any cases of reprisals which come to light must be strictly dealt with.

Chairman Mao said that political work is the lifeline of all economic work, and of course it is the lifeline of our banking work. We must take effective steps to strengthen our ideological and political work. The Central Committee has repeatedly stressed that we must overcome diffuseness and weakness in ideological and political work and strengthen the party's ideological and political work. We request bank party organizations at all levels and the main leadership comrades to conscientiously study the problem of how to deal effectively with problems of ideological and political work. This is a pressing requirement which the real struggle places before us.

6. The basic level banks and offices must be reorganized. The circumstances which have been uncovered in the banking system reveal to us that we have many problems of ideology, organization, management and work style, which present us with the extremely pressing problem of combining the struggle against serious economic crime with basic-level reorganization. The recent comprehensive reorganization of the branch banks in Zhaodong County which was carried out by the Heilongjiang branch bank and the lessons emerging from summarization of the case of racketeer Xu Guiyun by the Liaoning Province branch bank and the Shenyang Municipal branch have led to a comprehensive examination and reorganization of the savings field and the drafting of methods of plugging loopholes. It is impossible to reform the backward state of affairs in units whose basic-level leadership groups have serious trouble, where there is serious economic crime and where management is in chaos unless a reorganization is carried out. Accordingly, reorganization of basic-level bank units is a necessity of our work and is required by the situation. In the second half of this year the branch banks may start by selecting some units with considerable problems to conduct experiments in reorganization, proceeding to broader implementation only after they have gained some experience. Reorganization will improve the banks' work in all areas and make them truly a strong socialist front in the national economy. Naturally, although problems have emerged at the basic levels, many problems involve the higher levels; or, to state it more strongly, the roots of many circumstances are at the higher levels. When we speak of the needs to reorganize the basic level, this does not mean that there are no levels at the higher levels, and during the course of reorganization of the basic level, problems at higher levels, particularly involving branch banks and the main bank, must also be solved.

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INDUSTRY

'CHINA DAILY' SERIES ON SHOUDU STEELWORKS

Steelworks Model of Success

HK100216 Beijing CHINA DAILY in English 10 Nov 82 p 2

[Article by CHINA DAILY reporter Chen Guangfeng: "How Shoudu Steelworks Has Become a National Success"--Part I]

[Text] [Introduction] The Shoudu (capital) Iron and Steel Works, Beijing, has won praise as a model of the success of the economic responsibility system. In this, the first of three articles, CHINA DAILY reporter Chen Guanfeng gives the facts behind the success.

Set up in 1919, the company made no steel before liberation despite its name. Its total iron production for the 30 years up to 1949 amounted to only 286,000 tons.

Now, however, it has four coke ovens with an annual production capacity of 1.3 million tons, four iron blast furnaces with an annual production capacity of three million tons, and three steel blast furnaces with an annual production capacity of 1.5 million tons. It also has a rolling mill that turns out one million ton of sheets, strips and rods a year. [End introduction]

During the first 9 months of this year, the Shoudu Iron and Steel Company increased its profits by 22.9 per cent over the same period of last year, to 298 million yuan.

The amount it turned over to the state in the same period rose 18.8 per cent to 235 million yuan, an increase of 37 million yuan.

It aims to quadruple the gross value of its annual output to 3.84 billion yuan by 1995, 5 years ahead of the national target date. It aims to do this without asking the state for any additional investment, increased energy supplies or transport facilities.

Successes for Shoudu are not new. What is new is the size of recent improvements. In 1978, the firm handed the state 180 million yuan, a record up to then. But in only 3 years, the figure rose another 50 per cent, reaching 270 million yuan last year. Its total profit was 316 million yuan.

Yet last year was a difficult one. Because the nationwide energy shortage was interfering with production of consumer goods, and because there was a backlog of iron and steel, the government asked the company to reduce its production of iron by 290,000 tons, and of steel by 70,000 tons.

Since production was reduced, the state expected its revenues also to drop. But the company thought otherwise.

"The state is now in economic difficulties. We should share the responsibility and help the state get through these difficulties by handing in more revenues instead of less," a manager said.

The plant worked overtime to find ways to make its production more efficient. The company's overall production cost amounted to only 379 million yuan for the first 9 months of this year, 7 per cent lower than a year ago.

Its coke consumption for iron smelting is now the lowest in the country--390 kilogrammes per ton--while its energy consumption for one ton of steel now stands at about 960 kilogrammes of standard coal, 53 kilogrammes less than a year ago.

"We owe these achievements first of all to our workers. They are all so conscientious and hard workers, and they are always thinking of ways to reduce the company's energy consumption and production cost," Gao Jianxia, head of the company's reception office, said.

He listed several examples:

In the past, after the steel-smelting process, the blast furnace would be opened immediately. But several minutes would pass before the crane beam moved over for the lifting. Each minute the blast furnace is open means a drop of 200 degrees of the liquid steel, or a loss of six kilogrammes of fuel oil.

A worker proposed that the blast furnace not be opened until the crane beam was on its way. This proposal alone can save the company an average of about 20 tons of fuel oil a month.

The process of transporting steel ingots to rolling machines has also speeded thanks to the efforts of the workers.

One minute saved in this process means a saving of 1.3 kilogrammes of standard coal. This will amount to 1,800 tons of standard coal in a year.

Even waste steel is being turned to good use. The workers in charge of limestone feeding found that they could put more waste steel and less limestone into the blast furnaces during the smelting process. Then they became more careful about the quality of limestone. They watched the conveying lines and picked out any poor-quality limestone they saw though it is dusty unpleasant work.

They now put 124 kilogrammes of waste steel into every ton of steel smelted, as against 114 kilogrammes in the past.

This will bring the company an additional profit of more than 1.1 million yuan a year, and help reduce production cost.

Profit and Cost (Unit: Million Yuan)

Months	Profit			Cost		
	1981	1982	Change Percentage	1981	1982	Change Percentage
Jan	25.91	26.87	Plus 3.7	45.01	43.99	-2.27
Feb	24.53	31.76	Plus 29	53.61	52.00	-3
Mar	24.64	34.90	Plus 41.6	52.92	48.91	-7.58
Apr	21.27	34.18	Plus 60.7	43.98	40.35	-8.25
May	20.79	34.83	Plus 67.5	44.66	40.36	-9.62
June	22.92	35.07	Plus 53	36.93	33.41	-9.53
July	23.52	28.04	Plus 19.2	35.48	32.97	-7.07
Aug	30.11	33.04	Plus 9.7	46.28	41.71	-9.87
Sept	30.17	39.42	Plus 30.7	49.79	46.04	-7.53

Tomorrow: Cutting production costs.

Series Continued on Steelworks

HK110224 Beijing CHINA DAILY in English 11 Nov 82 p 2

[Article by CHINA DAILY reporter Chen Guanfeng: "Shoudu Steels Its Resolve"—Part II of series on the Shoudu Iron and Steel Company]

[Text] In the first 9 months of this year, the Shoudu Iron and Steel Company cut its production costs by 7 per cent, partly by speeding some working processes. This is one reason for its 22.9 per cent gain in profits compared with last year.

But the company is not relying on this alone.

"As a matter of fact, we rely mainly on technical renovation and transformation to increase our production," the company's Chief Engineer Gao Bochong said. "Our company is 63 years old, and most of the machinery and equipment needs upgrading."

"Last year, we invested 65.7 million yuan in technical renovation and transformation projects, and this year we will invest 140 million yuan," he said.

Last year, the company upgraded four boilers in its power plant, saving 128,000 tons of coal a year or more than three million yuan.

Another technical renovation project in its ore dressing plant is helping the company to turn out 180,000 tons more ore powder for iron smelting each year, bringing additional profit of five million yuan.

During the first half of this year, one of the company's rolling machines was upgraded.

"The most successful upgrading project has been our No 2 blast furnace, which now produces 3,000 tons of iron a day, tripling its production," Gao said. The furnace was set up in the 1930s.

"As the furnace became older, its productivity declined while its coke consumption climbed," Gao said. The company decided to spend 80 million yuan to upgrade it, and work began in 1977. Today the furnace meets international standards.

While overall demand for steel products is shrinking, Shoudu defies the pattern.

"We turned out 1.45 million tons of steel last year, and it was sold immediately," an official of the company's PBV Department said. "This year we plan to turn out 1.54 million tons."

He said [the] company enjoyed brisk sales because its products were market-oriented.

In the past, the company had been concerned only about fulfilling the quota set by the state, paying hardly any attention to demands of the market. Its products often went into warehouses, cutting into the company's profit.

But now the company sends out people to determine market demand.

In May last year, it found that it had 192,000 tons of pig iron with no customers. If the pig iron were warehoused, as was the previous practice, the company would lose a profit of 20 million yuan. Instead, it sent out investigators who found that rolled steel and cast iron pipes were badly needed.

The company used its 192,000 tons of pig iron to make these products, and sold them all. But the company does not aim at profit alone. "We do whatever the state asks us to, for our company is a socialist enterprise and our main task is to serve socialist construction," the official said.

"Last year, our company was asked by the Ministry of Metallurgical Industry to produce 59 tons of car axles for the Nanjing Automobile Manufacturing Plant. We knew that we would lose more than 600 yuan for [word indistinct] ton of axles produced. But since our company is the only one in the country producing such axles, and they would be imported from abroad if we declined the order, we accepted."

Again, when there was a shortage of steel billets one factory offered 40 yuan above list price for each billet it wanted. The company declined the extra money and provided the billets at list price.

"It is our principle to sell our products by fair means, through fair channels, and at fair prices," the official said.

Shoudu Iron and Steel Company's Contributions to the State

(Unit: Million Yuan)

Year	Turn-over	State Investment	State's Net Income
1978	180	150	30
1979	210	70	140
1980	240	50	190
1981	270	10	260
1982	286	[number indistinct]	286

Estimated figures

Tomorrow: The responsibility system.

Steelworks Series Concluded

HK120518 Beijing CHINA DAILY in English 12 Nov 82 p 2

[Article by CHINA DAILY reporter Chen Guanfeng: "How Shoudu Boosts Profits"-- Third and concluding article on Shoudu Iron and Steel Company]

[Text] "Though many factors have contributed to the profitability of the Shoudu Iron and Steel Company, the economic responsibility system has played a decisive role," one of the company's leading cadres said.

"We have been continually combating egalitarianism," he said.

The company began to implement the system in the latter half of last year.

"From August to December of last year, our company's average monthly profit soared to a record 35 million yuan, 52 percent higher than the previous average," the cadre said.

"During the first 9 months of this year, the average monthly profit went up further to more than 39 million yuan," he said.

The economic responsibility system means first of all that the company should hold a definite responsibility to the state.

"Each year, our company is expected to turn over to the state a certain amount of profit, no matter what happens. But if we make a greater profit, we are entitled to retain more money for our own use," he said.

In 1979, the company retained 19 million yuan. By 1981, it was able to retain 40 million yuan.

Each of the many plants within the giant company also has a definite responsibility. If any plant fails to fulfil its target set by the company, this plant will receive less or no money for bonuses.

Responsibility sharing goes all the way down to the individual. If an individual fails to fulfil his production quota or does his work poorly, he will receive less or no bonuses.

"This requires that the company make careful calculations and planning, it must set the quota neither too high nor too low," the cadre said. We should also establish very specific standards for each job.

The company has now established 235,684 standards for various kinds of work, and does frequent checks to see how the workers are doing.

It has even established more than 30 standards for kindergarten attendants. And this has proved fruitful. In the past, the company spent 19 yuan for each child in kindergarten and got complaints that the money was not enough. It now spends only 16 yuan per child and is still saving money, which is being used for furnishing for the kindergartens.

The other side of the responsibility system is the bonuses. "We spent 12 million yuan for bonuses last year," an official in charge of Shoudu's Planning Department said.

"But these bonuses are not distributed equally among the workers. They go according to the work each individual has done," he said.

"A worker can receive a bonus as high as 45 yuan in a month; at other times, he may get only about one or two yuan, and there are times when he will get no bonus at all," he said.

There are different categories of bonuses for different employees. "Possible bonuses for management personnel are determined according to their positions, and those for workers according to the work they do," the official said.

In this company, a factory director can get more in bonuses than a workshop leader, and the latter in turn can receive more than a group leader.

"This is because a factory director holds greater responsibility," the official said.

Workers on the other hand, are grouped according to specialty labour-intensity and technical requirements of the work they do the more specialized, labour-intensive or technology-demanding their work, the higher their possible bonuses.

This does not mean that management personnel or workers in the same group will receive the same bonuses. "We have established specific standards for bonuses, and hold strict examinations for our employees," he said.

"This is the socialist principle--to each according to his work," he said.

A Monthly Survey of the Company's
Distribution of Bonuses

Standards	Number of People			Percentage of Total Employees
Above 35 yuan		98		0.14 percent
Above 20 yuan		6608		9.44 percent
Above 10 yuan		34609		50.87 percent
Above 10 yuan		20370		29.10 percent
No bonuses		7315		10.45 percent
	X	X	X	
The monthly average				11.91 yuan
The highest for a person				45.90 yuan
The lowest for a person				0.60 yuan

CSO: 4006/113

CONSTRUCTION

PRC ATTAINS ACHIEVEMENTS IN CAPITAL CONSTRUCTION

OW241133 Beijing Domestic Service in Mandarin 1200 GMT 19 Oct 82

[Text] Since the beginning of this year, China has attained remarkable achievements in capital construction by shortening the construction period and improving economic results. Many large and medium-sized construction projects and single item projects have been completed and put into operation.

According to statistics compiled from January and September of this year, a total 30.4 billion yuan has been invested in capital construction, an increase of 26.2 percent as compared with that in the same period in 1981. Sixteen large and medium-sized projects and 14 single item projects have been completed and put into operation. Sixteen of the 27 major products listed in the national plan are being produced with additional production capacity.

During the first 9 months of 1982, the tunneling of 170,000 meters has been completed in the coal industry and two coal pits have been completed and put into operation, increasing production by 1.05 million dun.

In the power industry, seven large and medium-sized power generators with a total power generating capacity of 715,000 kw have been installed and put into operation.

In the petroleum industry, the drilling of 5.74 million meters has been completed, increasing crude oil production by 3.44 million dun and natural gas production by 350 million cubic meters.

During the first 9 months of 1982, China has completed more than 60 kilometers of new double track railways. The electrification of the Yangquan-Taiyuan sector of the Shijiazhuang-Taiyuan line has been opened to traffic ahead of schedule. The No 1, 2 and 3 marshaling yards of the Jinan transportation and communications hub have already been put in use. Twelve double track sectors of the Baoji-Tianshui section of the Longhai line have been opened to traffic. Twelve large and medium-sized port construction projects are also being accelerated while the major targets in constructing the Qinhuangdao Port and other ports are overfulfilled.

China's construction materials industry has registered a total investment of 585 million yuan during the first 9 months of this year, an increase of 56.8

percent over that in the same period in 1981. Capital construction targets have also been fulfilled in light and textile industries. The annual targets for the import of six sets of equipment for the textile industry have been fulfilled. All regions and departments have also paid full attention to investments for nonproductive construction projects.

CSO: 4006/113

DOMESTIC TRADE

NINGXIA MARKETS SAID TO FLOURISH

Yinchuan NINGXIA RIBAO in Chinese 21 Aug 82 p 1

[Article by Shang Jiye [0794 6060 2814]: "Commodities Plentiful, Buying and Selling Brisk on Markets in Cities and Towns of Our Autonomous Region, Further Adjustment of National Economy"]

[Text] This year commerce has been brisk in our autonomous region's cities and towns, and there has emerged the best trend in many years. As of July, compared to the same period last year, the purchasing of commodities in the commercial system of the whole autonomous region increased by 30 percent and sales increased by 9.9 percent. Commodities were plentiful on the market, both buying and selling were brisk, and the long-standing tense supply-demand situation was improved.

Following the adjustment of the national economy and the development of industrial and agricultural production, the supply and demand of commodities on the markets of our autonomous region's cities and towns has greatly improved. From January to July, purchases of industrial and agricultural products in our autonomous region's commercial system totaled more than 95 million yuan, an increase of 17.8 percent over the same period last year. Commodities transferred from other areas totaled more than 190 million yuan, an increase of 6.5 percent over the same period last year. The quantities of most of the food and clothing products were adequate, there were more designs and colors, and the number of commodities in critically short supply became less and less. At present, except for mutton, fresh eggs, matches, and sugar, supplies of which tend to be tight, other commodities are relatively sufficient to meet demand. The supplies of soap and knitting wool were for a long time insufficient to meet demand, but now they are not only sufficient to satisfy the needs of the market but are sent outside the autonomous region. Watches, bicycles, and sewing machines were previously always in short supply, but now all brands, except the famous ones, were unable to find a good market. Because the people's selectivity toward merchandise has increased, at present a considerable number of old-style goods and high-priced, inferior-quality goods are selling slowly and overstocked goods have already appeared in the commercial departments. Along with the increase in commodities and keen competition, the attitude in waiting on customers has also greatly improved.

The improvement in the people's living conditions has also caused the consumption structure of commodities to undergo a relatively great transformation.

In recent years, the large-scale marketing of high-quality, durable consumer goods has increased. Last year, television sets and tape recorders began to sell very well on the market. This year washing machines, electric fans, etc., also sold well. During the first half of this year the number of sewing machines sold in the commercial system increased over the same period last year by 38.9 percent, watches increased by 13 percent, television sets increased by 7.8 percent, color television sets doubled, electric fans increased by 77 percent, and washing machines increased at an even greater rate. With regard to clothing, consumers demanded stylish, finely tailored clothing, and middle-high quality goods tended to find a better market. During the first half of this year the quantity of Yinchuan City cotton-synthetic blended fabric and all-synthetic cloth sold increased to 690,000 meters, an increase of 63 percent over the same period last year. Compared to the same period last year, the sale of children's clothing increased by 11 percent. The raising of the popular masses' material living standards accelerated the increased sales of cultural, recreational, and sports goods. In comparison to the same period last year, during the first half of this year the sale of cultural items and sports goods increased by 32 percent. New China Department Store in Yinchuan City, sold 1,127 kiddie cars of the various kinds, an increase of 522 over the same period last year.

This year the selling of the means of production by the commercial system also picked up rapidly. Last year the means of production sold by our autonomous region's commercial system declined by 13 million yuan. This year, because of the improvement in the production situation on the industrial front, the means of production sold by the commercial system increased by 5.8 percent over the same period last year. The means of production in hardware and chemical industry sold increased over last year by 32.9 percent and 29.8 percent respectively. Sales of metal tools, construction metal products, electrical materials and appliances, and other industrial means of production, which were slow-selling in the past, picked up this year.

Facing an excellent situation, the staff and workers in the commercial enterprises are very confident. They are determined to make progress in rectifying their management thinking, overcome the tendency to stress the large and ignore the small and stress the cities and ignore the rural areas, and do a good job of organizing the market during the busy season, in order to achieve new accomplishments to greet the convening of the 21th CPC National Congress.

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CSO: 4006/651

FOREIGN TRADE

TIANJIN CITY PROMOTES OVERSEAS SALES OF FARM IMPLEMENTS

Tianjin TIANJIN RIBAO in Chinese 17 Jul 82 p 1

[Article by Han Derong [7281 1795 2837]: "One Hand Grasping the Supply of Commodities, Another Hand Grasping Foreign Sales: Our City's Farm Implements Penetrate European, American Markets; Total Exports During First Half of This Year Exceed \$7 Million"]

[Text] Recently the Commercial Counselor's Office of China's embassy in Uganda submitted to the Tianjin Machinery Import-Export Corporation an order to purchase 600,000 hoes. Uganda's purchase of a [new] lot of farm implements from us followed that corporation's export to Uganda last year of 500,000 of our city's "Rooster" brand hoes. During the first half of this year the total value of farm implements exported by our city amounted to more than \$7 million, an increase of more than 10 percent over the same period last year and the highest level in the history of our city's farm implement exporting.

Since the corporation began to organize the exporting of farm implements in 1958 they have become the leading commodities with annual sales of more than \$10 million and have accounted for more than 60 percent of the nation's total farm implement exports. With regard to the variety of commodities, at first there were only 4 products--hoes, picks, shovels, and axes--with 7 specifications, but now there are 22 major types and 171 models with 371 specifications. With regard to foreign markets, at first there were only 5 or 6 customers in Hong Kong, Macao, Singapore, and Malaysia, but during the past several years the market has expanded to 107 nations and regions in Southeast Asia, Latin America, and Africa, and market ties have been established with more than 500 customers. Furthermore, the European, American, and Canadian markets have been penetrated.

Since the latter half of last year, with regard to its management of farm implements the corporation has grasped the supply of commodities in one hand and foreign sales in the other. First of all, proceeding from encouraging production and helping the industrial sector in our city pay off 1.3 million of industrial loans, it fostered the setting up in the city proper and in the suburban counties 4 key farm implement production factories. This year the Nanjiao, Dagang, and Ninghe County production factories alone were able to supply 300,000 axheads and 300,000 axes with handles. Next, on two occasions--in February and April of this year--responsible section heads led groups of

people to visit Jiangxi, Jiangsu, Zhejiang, Sichuan, and other places to establish contacts and carry out the transfer and allocation missions called for by the plan, and, with the great support of the industrial sectors in those places, purchased outside the plan more than 400,000 ax handles, shovel handles, etc., for export. In addition, on the basis of contracts concluded with places outside the municipality and letters of credit arranged with foreign countries, it arranged supply of commodities in advance. With regard to big orders, and commodities produced by such arrangements with foreign firms as processing according to supplied designs or samples, and production according to brands specified, specially assigned personnel were selected, certificates of value were made ready, and sailing dates were met.

With regard to its foreign sales work, they entered into intense market competition and stepped up market investigation and research, and, in addition to sending out trade groups to promote sales and to make an on-the-spot investigation, took the initiative of seeking the support of China's representatives stationed abroad and sought all ways to open up markets. Between November of last year and June of this year, with the help of the commercial counselor's offices in China's embassies abroad it successively made farm implement deals with Singapore, Mozambique and Uganda worth more than \$7 million. Goods which were sold in small lots, the demand for which fluctuated, and which were not sold equally well at home and abroad were treated in an equally earnest manner. On the basis of foreign orders, it adhered to linking production with sales adopting the working method of obtaining letters of credit then concentrating forces on organizing and arranging production, and steadily expanded marketing. Last year deals for the purchase of such goods amounted to \$350,000; and in the first half of this year, \$400,000. Furthermore, it increased the use of telegrams and letters in its daily operations and often invited some friendly foreign customers to visit our city, which increased the customers' confidence in our city's management of farm implements and resulted in a considerable number of deals.

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FOREIGN TRADE

ECONOMIC EFFECTIVENESS OF IMPORTED TECHNOLOGY ANALYZED

Dalian CAIJING WENTI YANJIU [THE STUDY OF FINANCE AND ECONOMIC PROBLEMS] in Chinese No 3, Jul 82 pp 23-28, 52

[Article by Lai Wanxian [0171 1354 0103], Wang Chiwei [3769 2170 0143] and Liu Mingdong [0491 2494 2539]: "Import of Foreign Technology and Economic Effectiveness"]

[Text] The import of advanced foreign technology is one short cut which every country in the world uses for economic modernization and is a universal, regular phenomenon. Historical experience demonstrates that the economic rise of many countries depended not only on the inventiveness and creativity with which their own citizens attacked difficult problems, but also on import of advanced technology which was suited to these countries' circumstances. Import of technology makes it possible to catch up with and surpass advanced world standards in a relatively short time and at a relatively low cost. But not all countries constantly have smooth sailing in the import of technology: they follow some tortuous routes, and accordingly it is very important to explore certain questions of technology import and ways of evaluating its economic effectiveness. It is particularly helpful to summarize the lessons our country has learned from more than 30 years of importing technology. This paper advances some views on these subjects.

I. A Historical Overview of Technology Import

In order to summarize the lessons of experience and learn from them, we must first briefly survey the history of technology import by various countries.

Japan is famous for its flexibility and ability to adopt suitable technology, but the restored Meiji regime learned a lesson from failures resulting from blind import of technology. After World War II, Japan's industrial production technologies were 20 to 30 years behind the United States and the advanced European countries and it was in urgent need of all-round equipment replacement. But Japan did not import large quantities of U.S. automated equipment in the initial stage of its economic recovery, but gradually expanded the scale of its imports in accordance with its needs and capabilities and its own national situation, making changes in the focus

and form of technology import so that by the end of the 1960's it finally began to import technology in large quantities as a result of the expansion of its production, the growth of its cities and rapid improvement of its ability to pay foreign exchange. The focus of its imports changed, from basic industrial technology in the 1950's to key technologies in iron and steel, mechanical and chemical engineering, and electronics and the like; the form of its imports shifted from low-level forms such as import of complete sets of equipment to high-level forms such as purchase of licenses or technical investment, the creation of jointly-managed companies and the like. Even more important, it studied, assimilated and absorbed new imported technologies, and by imitating other countries' strong points and discarding their weak points it established a more progressive scientific and technical system.

Iran, famed for its rich oil reserves, is an example of another type. Shah Pahlavi hoped to use large numbers of U.S. dollars to buy large-scale industrial technology from the advanced countries in order to make Iran join the ranks of modern industrial countries. He spent nearly U.S. \$100 billion in petrodollars but did not make his country flourish. After he was overthrown, all U.S. technical personnel returned home in 1979, and Iran's modern enterprises almost all ground to a halt. Thus it is evident that the attempt to use dollars to buy modernization was ridiculous.

We have a large population and plentiful manpower, but we lack funds; these characteristics of our situation must be taken into account in importing technology.

It is of great importance to survey our country's technology import in the past 30 years and in particular to evaluate the economic effect resulting from technology import after the smashing of the "gang of four," to summarize our experience and to absorb the lessons it teaches.

In general, the results of our technology import in the 1950's were good; it laid the first foundations for our industrialization and filled many technical and production gaps. We were able to grasp, assimilate, develop and build on the imported technology fairly well, and we trained large numbers of technical personnel. We were relatively cautious in importing technology in the 1960's, and there were many positive lessons: most of the imported technology was used for technical modernization of existing enterprises and little was used for constructing new ones; most of it was small-scale rather than large-scale technology; the focus was on the import of key advanced technologies in chemical engineering and textiles, with little duplication in imports, providing some of the technical conditions for producing food, clothing and other necessities. Technology import in the 1970's had its deficiencies and its achievements. Between 1973 and 1977 great emphasis was placed on import of technology for chemical engineering, light industry and textiles, which accounted for 51 percent of all foreign exchange used. A high tide of technology import was reached in 1978, when the agreements made totaled U.S. \$6.36 billion; if canceled items are not deducted, this is greater than the total contract foreign exchange value of U.S. \$6.5 billion for the period

1950-1977, furthermore, 50 percent of the \$6.36 billion worth of import agreements in 1978 were signed in the 10-day period between 20 December and the end of the year. Generally, as soon as an investigating group left the country it decided to import certain items, making plans for their use only after they were imported; feasibility analyses were seldom made, and analyses were carried out "after the rice was cooked," so that the Construction Bank had difficulty achieving the proper results. Of course, there were instances of rather good economic results, such as the eyeglass lens production line which the Beijing General Glass Plant imported from Japan; in this case, a short period of time elapsed between signing the agreement and trial production, the acceptance rate in trial production was 90 percent, the line was already at rated capacity when it first went into production, it produced good economic results, the number of varieties was increased, and production costs were 50 percent of what they had been previously. Eyeglass lenses were a product in short supply, and importing this production line was in accord with our country's conditions; if it had been fully supported, it would have met the people's needs more effectively and could have saved foreign exchange. The Beijing Television Plant's import from Japan of a color television production line and the Dongfeng Television Plant's production of Kunlun television sets gave excellent results, not only meeting domestic needs but resulting in export to Southeast Asia as well. The flow line which the Beijing Municipal No 2 Glass Plant imported from Sweden gave excellent results and was No 1 nationwide in output, quality and energy conservation, as well as paying 3 million yuan in profits taxes every year.

If we analyze the use of 12 foreign exchange loans by the Beijing Municipal Textile office to import items, we find that these imports were very successful in developing Beijing's textile production, expanding export, increasing the range of varieties, designs and colors, stocking the capital's markets more plentifully, satisfying the people's needs and accelerating technical modernization. Recently the Beijing Woolens Mill used imported equipment to produce worsted gabardine for West German businessmen; 99.8 percent of the product was of grade 1, which constituted an advanced performance level.

It is apparent from the foregoing that our technology imports have achieved great success and have been of some help in reaching and surpassing advanced world standards, and that technology imports should not all be negated because of some shortcomings; rather, we should learn the lessons which they teach and improve the effectiveness of our imports.

II. Correct Handling of Certain Relationships in Technology Import

A. Level of Sophistication of Technology and Economic Rationality

How to deal with the sophistication of the technology and the its economic rationality are the first questions that must be considered in technology import.

Before importing a new technology, we generally not only want to understand its nature, structure and technical characteristics, but also to consider the production cost of the product, the size of profits and energy consumption, and the length of the investment recovery period, as well as to compare it with domestically-produced equipment of the same type. Only if the technology is advanced and practicable and economically benefits will result should its import be considered. When the Beijing No 2 Cotton Mill imported 30,000 spindles for cotton worsted yarn, it not only considered how advanced the technology was, but also whether it could be thoroughly utilized when imported. It concluded that the research units should buy the most advanced equipment, while the production units should reconsider what productive capabilities would result from import.

Economic rationality is most directly reflected in output per unit time, amounts of raw and other materials and energy consumed per unit output, and cost, profit and labor inputs per unit output. Preliminary surveys indicate that imported technologies have generally have no faults as regards increasing the number of styles, designs and colors, meeting the people's needs and increasing exports. Some enterprises have had improved product quality, increased output and decreased foreign exchange expenditures after importing equipment, while some units not only experienced increased unit production costs, but had poorer performance in other respects than with older equipment of the same type. Below the product quality, production capabilities, and unit production cost of a certain unit are surveyed:

Table 1. Comparison of percentage of product in first class (January-April 1981)

Type	New Equipment	Old Equipment
Overall output	92.55%	97.05%
All-wool	94.85%	98.57%
Wool mixtures	88.51%	96.31%
All-synthetic	93.44%	95.5%

Table 2. Comparison of equipment capacities (January-April 1981)

	New Equipment	Old Equipment
Output per machine-hour	3.33 m	3.12 m
Efficiency	84.95%	82.76%
Speed	140.8 rpm	135.2 rpm

Table 3. Comparison of unit production cost for same product
(January-April 1981)

Product	New equipment	Old equipment	Increase	
All-wool gabardine	13.75 yuan	12.98 yuan	+0.77 yuan	+5.93%
All-wool fancy suiting	12.04	10.54	+1.50	+14.23%
Nushi [1166 1102] wool	10.42	8.86	+1.56	+17.61%
Wool-polyester	7.87	6.99	+0.88	+12.59%
Average				+11.96%

It is apparent from Table 3 that with the new equipment the production costs per unit output of the enterprise in question were an average of 12 percent higher than with the old equipment. We find that there are several reasons for the increase in production costs with the new equipment:

1. High materials consumption. The new equipment generally consumes 1.5-2 percent more materials than the older equipment. The automatic lustong [5507 4592] machine consumes an excess of more than 3 meters at the start of operation.
2. Greater electricity consumption. The new equipment is automated, with large motors, and has high energy consumption. With spindles of the same kind, the new equipment consumes 52.58 percent more electricity.
3. High depreciation cost. The new equipment has a monthly depreciation cost 8 times that of older equipment with the same type of spindles.
4. More operating personnel. Some features of the new equipment do decrease heavy labor, but the number of operating personnel is increased rather than decreased.

These data show that the new equipment produces a poorer economic effect than the older, domestically-produced equipment; the reason for its import was that domestically produced equipment had too long a delivery period and could not meet production needs, a matter which is relevant in the readjustment of the mechanical industry. But we can conclude from the economic indicators achieved by the enterprise after it imported the equipment that it did not take account of economic rationality. Without economic rationality, how is it possible to get the benefits of technical sophistication?

To obtain both technical sophistication and economic rationality, feasibility studies must be conducted before equipment is imported, and the approach of ordering first and designing the process afterward must be resisted; it is essential to correct our thinking about technology import and to be clear about its objectives, otherwise we will spend large amounts of foreign exchange for a pile of scrap iron that can produce no benefits and will simply become a burden.

Economic information is very important in connection with determining the economic rationality of technology imports, but the unavailability of such information allows some units to be taken in. For example, in 1979 a certain No 2 light bulb plant signed an agreement in Beijing with the Light Industry Import Company, the First Ministry of Light Industry Office, the No 3 Light Bulb Plant and Lin Chunyuan Co., Ltd. of Hong Kong. This was the first equipment imported into Beijing under compensatory trade, and no feasibility analysis or commercial talks were conducted in advance; instead direct talks were held with the Hong Kong businessman, who acted as intermediary, and equipment for six production lines producing 3,000 fancy light bulbs a year was provided, with a 10-year contract limit. During that period the plant was to make compensation with 60 percent of its monthly output, while 40 percent was to go to foreign trade. Because the initial product compensation price was too low and because production involved new workers, a new product and a new technology, production costs were high and the enterprise lost money. The balance at the end of 1980 indicated that in 1 year's production it had lost 1.58 million yuan, and not only was it unable to pay back the loans from the Construction Bank and the Bank of China, but it had gone deeply into debt after importing the equipment. It is only reasonable for compensatory trade to be based on mutual benefit: but the compensation price of this product was too low and the contract term was 10 years, and once signed it could not be arbitrarily canceled. If the plant had been able to determine the worldwide state of affairs through economic intelligence beforehand, it could have concluded an agreement directly with the United States. We now know that on U.S. markets the retail price of a light bulb is \$0.80 (the initially negotiated compensation price with Hong Kong was \$0.07, then \$0.084, while now it has risen to just \$0.01008) the demand is great, and we have found out that the U.S. consumes a billion fancy light bulbs a year. Why was no careful survey made in advance?

B. The Relationship Between Technology Import and Developing Our Own Country's Industries

The objective of technology import is to develop our country's industries and to promote and accelerate the four modernizations; if imported technology is in contradiction with the development of this country's national economy or even harms it, it does not do what it is imported to do. For example, the equipment imported by Beijing Plant No 603 produced a good economic effect, but the eyeglass lens blanks which it produced were not purchased by the foreign trade departments; instead, foreign exchange was used to import 4 million tons of blanks from abroad. Plant No 608 did not use Plant No 603's eyeglass blanks, but imported blanks from abroad, so that Plant No 603's only recourse was to buy foreign exchange in order to pay back its loan; this exclusive consideration of one's own unit must be rapidly rectified. On 15 July 1981, XINHUA News Agency published a criticism, requesting that the Construction Bank support domestic enterprises.

In addition, when dealing with the relationship between technology import and development of national industries, particular care should be given to protecting this country's new technologies and new products; we should act in accordance with the long-term interests of development of the national economy, take account of product development prospects and sales avenues, and consistently support products of the same kind produced in this country. For example, Beijing City imported three sets of Coca-Cola equipment from the United States which were provided gratis (subsequent imports were to be based on the normal export price). But they had to import the materials for producing Coca-Cola. Because they did not know the formula and did not import the materials, the equipment became scrap metal. In the long run, if Coca-Cola was selling well it would compete with domestically-produced beverages, and at present domestic cold beverages are coming on the market in numbers, for example, mineral water, Yuquan spring water, kvass and the like, and the question of whether Coca-Cola would have a negative impact on the sales of domestically produced products if its sales were excessively developed is one that would require consideration. It has been learned that other areas also desired this equipment, but when account was taken of materials import, of which each unit required 30 to 40 tons annually, the total cost would be U.S. \$2.16 million (preferential price). Thus the better the sales of Coca-Cola, the more equipment for producing it would be imported, and the more foreign exchange would have to be expended to buy the materials for production. How should we evaluate this type of import? If we did not import this equipment, would we be unable to satisfy the people's demand for cold beverages?

C. Technology Import and the Direction of Readjustment of the Machinery Industry

Readjusting the machinery industry is not equivalent to not developing it. The production capabilities of this country's machinery industry are rather great, with a total number of machine tools that ranks third in the world, a third of these are advanced 1960's and 1970's products, so that we can make full use of the advantages they provide to develop the light and textile machinery industries. But our mechanical industry's utilization rate is extremely low: in 1978 the utilization rate for the machinery industry's advanced equipment was 55.6 percent, while that for the most obsolete machinery was 30 to 40 percent; this is a problem which must be addressed in readjusting the machinery industry. We know that all wool carding machines at the Beijing No 4 Woolen Yarn Plant could be produced in Shanghai; why, then, do we not expand production of domestically-produced carding machines rather than importing equipment to meet production needs? The 196-head carding machines imported from Poland by the Beijing No 4 Woolen Yarn Plant cost about 600,000 yuan each, while domestically-produced 100-head carding machines cost 55,000 yuan apiece; with the same production capacities, the amount of money spent on importing one foreign machine could be used to buy seven domestically-produced machines of the same kind.

The same problem applies in a comparison of the imported and domestically produced equipment used by the Qinghe Woolen Textiles Plant (see table).

Equipment	Domestically produced price, yuan	Import price, yuan	Ratio of domestic to import price
Loom	6,908.51	81,518.99	1 : 11.8
Fly frame	38,407.73	302,012.32	1 : 5.29
Doubling frame	20,767.29	106,151.35	1 : 5.11
Twisting frame	5,498.91	380,855.36	1 : 69.27
Luotong [5507 4592] machine	17,407.48	424,747.26	1 : 24.4

What reason is there to import when domestically-produced machinery is so inexpensive? The main reason is that because the machinery industry currently needs readjustment, and it cannot satisfy the needs of the domestic light industry and textile industry in timely fashion. Why, for example, does the Beijing No 4 Woolen Yarn Mill import Polish carding machines rather than using the domestically produced machines? Because the delivery time is guaranteed in the former case, while domestically-produced carding machines are available only after 3 to 5 years' delay. Thus the importance of correctly handling the relationship between technology import and readjustment of the industry is apparent.

D. Technology Import and Domestic Availability of Complementary Facilities

The feasibility studies which precede technology import must take account not only of technological sophistication, suitability and economic rationality, but also of the question of availability of complementary facilities in this country and the performance of various types of preparatory work. For example, in 1975 Beijing City imported production lines for glass bottles, wine and fluorescent lights from Sweden, West Germany and England respectively. But after they were imported, the first two of these lines were not unpacked for 5 years for various reasons; in the case of the third line, more than 4 years was spent simply in selecting a plant site, and preliminary statistics indicate that the 5-year delay in putting it into production resulted in a loss of 20 million yuan in profits taxes.

The Beijing Cardboard Box Plant imported equipment including a production line which would allow it to produce cardboard boxes, but because the plant premises were too small and there was no room for the equipment, the only recourse was to "cut the foot to fit the shoe" by removing a drying section from the line and letting the boxes dry naturally after they were produced. This is indicative of a lack of preparatory work before the equipment was imported and a failure to take thorough account of the problem of availability of complementary facilities in this country.

E. Correct Handling of the Problems of Import of Hardware and "Software"

Our country has achieved certain results in its 30 years of importing technology, but both on the national scale and in the case of Beijing, most of the imports have been equipment (single machines or sets of equipment),

while import of technology proper ("software") has accounted for a very small part of the total. Nationally, our equipment imports have consistently accounted for about 90 percent of total technology imports, while license import has been negligible (see table below).

	Total foreign exchange expenditure (US \$)	Complete sets of equipment	Percentage of foreign exchange expenditure
1950-1979	1.439 billion	1.344 billion	93%
1950-1959	2.7 billion	2.4 billion	89%
1963-1966	0.3 billion	0.28 billion	93%
1973-1977	3.5 billion	3.15 billion	90%
1978-1979	7.89 billion	7.61 billion	96%

There are objective reasons for this circumstance. The country's industrial base is in poor condition and still is in the initial stage of technology import. As our technological level continues to rise and the industrial base becomes more vigorous, we will turn to the import of technology proper. Loans made by a certain branch of the Beijing Municipal Construction Bank, were mostly for equipment up to 1980, while starting in 1980 there was some change.

F. Avoiding Duplication in Technology Import

Duplication is the clearest expression of poor effectiveness of technology import. The essence of the socialist ownership system is the planned economy, but under the influence of the "import fever," instances of duplicate import are widespread. Beijing City imported a total of 15 electronic color scanners but their utilization rate was very low; if they were used jointly with the printing industry their utilization rate could have been increased greatly. It has been determined that if a cooperative arrangement could have been made for planned, joint use, three color scanners would have been sufficient for the entire city. Currently the reasons for duplicate import include systematic problems, multiple import channels and the like. Multiple import channels (i.e. numerous sources of foreign exchange funds for import) are the main cause of duplicate import.

Above we have discussed several problems which require attention in technology import. In addition, we must conduct careful consideration and forecasting of energy problems, environmental pollution and the like. Energy problems are of particular importance, and if they are improperly handled we will miss opportunities and be unable to reap benefits. When the Beijing Bed Sheet Plant was planning to import resin treatment equipment, it counted on our country's having adequate oil supplies, but after the oil-burning equipment was installed the country experienced a petroleum shortage, which made it difficult to put the equipment into production.

To summarize, we believe that the key to technology import is correcting our thinking. When we learn from modern technology, must we learn from the latest foreign technology? We should learn from new technology, but

we must make a concrete analysis and proceed in a gradual, systematic fashion on the basis of our country's ability to absorb and assimilate. Many people now urge that developing countries adopt appropriate technology, not necessarily the most advanced technology. Many of Shanghai's technologies are appropriate for our interior. Plants in the interior do not necessarily need to buy the most advanced technologies from abroad; mastering Shanghai's technology is more realistic and more accessible than trying to study foreign methods. We are a socialist country, and in technology import we must not consider only microeconomic effects; we should especially consider macroeconomic effects in terms of the entire society. Only in this way will we be able to make technology import serve the four modernizations.

III. Some Indices for Evaluating the Effectiveness of Technology Import

Success or failure in handling the relationships described above generally reflects the degree of economic effectiveness, but this criterion should be supplemented by a number of indices for quantitative analysis in order to evaluate the degree of economic effectiveness.

In economic construction, the use of international credit relationships in the form of concurrent borrowing and repayment plus payment of interest for the import of advanced technology and equipment ultimately involves the question of repayment of debt and interest; in international practice, an importer country's ability to repay debts is generally considered in terms of the ratio of its total foreign debt for the year to its export earnings, i.e. the "debt repayment index." A debt repayment index over 10 percent generally attracts attention, while one above 20 to 30 percent indicates a danger of nonrepayment. This is because more than 20 percent of the country's foreign exchange income from exports will have to be used to repay debts and interest to other countries, and if there is a world economic crisis or a sudden change in world markets and exports fall, resulting in a decrease in foreign exchange earnings, the country in question will be incapable of paying its foreign debts. For example, at the end of 1976, Zaire had accumulated a net total of US \$2.1 billion in foreign debts, but its debt repayment index was less than 20 percent. However, because its copper exports dropped by 45 percent, it was unable to make payments due on its loans, resulting in damage to its international standing.

Accordingly, in terms of the macroeconomic balance, import of technology and equipment should be based on a country's repayment capabilities. On the other hand, import of technology and equipment is inescapably related to the country's finance and banking, because while importing it must continue to carry on capital construction at home, to build plants and auxiliary installations; the funds for these projects are allocations by financial departments and bank loans, so that when using foreign capital in import of technology, consideration must be given to the balance between internal and external capital. Calculations based on imports in 1977-1979 indicate that on average, each dollar's worth of imported equipment requires 4 yuan in domestic investment, and accordingly when

considering the economic effectiveness of investments (or loans) for import of technology and equipment account must be taken of both foreign and domestic funds (total investment and total loans). When investigating indices of economic effectiveness, we certainly can use the 10 indices of the effectiveness of investment in capital construction, but in general they are rather complicated and lack any ordering of priorities, while the indices of effectiveness of general revamping, modernization and reequipment are not very comprehensive. Accordingly, based on the characteristics of imported technology and equipment, the following indicator may be used selectively:

$$(1) \text{ imported equipment utilization rate} = \frac{\text{value of imported equipment handed over for use}}{\text{total value of imported equipment}} \times 100\%$$

This indicator shows the amount of equipment which is installed and put into production or put into production use without installation in the given reporting period. The greater the ratio of the value of imported equipment put into use to the total value of imported equipment, the greater the machinery startup rate, the faster the pace of construction, and the greater the effectiveness of social investment.

$$(2) \text{ (or loan repayment period)} = \frac{\text{investment recovery period} \quad \text{total investment in imported equipment (or total loan)*}}{\text{annual profits}} \times 100\%$$

This indicator indicates the length of time that must elapse after the investment has begun to be used in the enterprise's production and circulation for the investment to be fully recovered, or, in case of a loan, for the loan to be paid off in full. It indicates that the smaller the amount of funds invested and the greater the annual profit, the shorter the recovery period (or repayment period), and thus the greater the effectiveness. Conversely, the greater the amount of funds invested and the smaller the annual profit, the longer the recovery period (or loan repayment period) and the poorer the effectiveness. It should be made clear that in order to compute the investment recovery period or loan repayment period more precisely, the construction cycle before production begins should be included. For example, if an enterprise has a total investment (or loan) of 10 million yuan in imported technology, and the annual profit after the technology is put into production use is 2.5 million yuan, the recovery period (or repayment period) is 4 years; with construction period is 1.5 years, the true investment recovery period or loan repayment period is 5.5 years.

$$(3) \text{ rate of profit on investment} = \frac{\text{increase in annual profits after production use begins}}{\text{total investment in imported technology and equipment}} \times 100\%$$

* The total value of the loan includes compound interest.

It gives the relationship between the size of the investment (or loan) and the net receipts obtained from it. The rate of profit on investment is an overall indicator which relates the construction process to economic effectiveness after production use begins; a high rate of profit on investment indicates that the import project has been successful and economic results are good, which can correspondingly shorten the investment recovery period (or loan repayment period). In addition it is necessary to state whether the idea of annual profit includes the amount to be paid in taxes. We believe that this should be determined with reference to the source of the investment funds: the annual profit from production use of import items which are investments allocated by the state budget should include the amount to be paid in taxes, while if the funds come from a bank loan, the annual profit after production use begins should be based on after-taxes income. For an enterprise, the annual profit after production use begins should be divided into two parts, namely profit from export of the products, used to pay interest or foreign loans, and profit obtained from sales on domestic markets, used to make payments on domestic investments or loans; either of these two amounts may be compensated from the other.

$$(4) \text{ rate of foreign exchange creation by export} = \frac{\text{annual creation of foreign exchange by product export after production use begins}}{\text{total investment in imported technology and equipment}} \times 100\%$$

The sources of foreign exchange funds required for import of technology and equipment generally are our own foreign exchange, borrowed foreign exchange, and foreign investment. If we use our country's own foreign exchange we must rely on exported products to obtain foreign exchange, while if we use borrowed foreign exchange, regardless of whether it is borrowed and repaid by the state or borrowed by and repaid by the enterprise and the cognizant department, ultimately the repayment of principal and interest comes from commodity foreign exchange income, and accordingly it is apparent that the scale of technology import must be limited by the scale of export. Only by expanding export is it possible to expand import. Consideration of the rate of foreign exchange creation by export makes it much more apparent whether or not the foreign exchange which enterprises need to import technology and equipment can be balanced with export-created foreign exchange within the contract period and whether the repayment capability exists. This is one of the major criteria for weighing the economic results of technology import items, but not all products resulting from putting imported technologies into production use can create foreign exchange through export. The products produced with some imported technology are used to satisfy the requirements of domestic markets; accordingly they correspondingly decrease the amounts of similar products imported from abroad, thus saving foreign exchange. This savings of foreign exchange may also be taken into account in considering the capability for repayment of foreign capital.

In short, if the indicators given above are used to examine the effect of technology import, they will only get at the main aspects; these are not isolated, but interrelated, and only by organically connecting them is it possible to obtain an integrated, comprehensive reflection of the economic effectiveness of investments in the import of technology and equipment.

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FOREIGN TRADE

PROSPECTS FOR CHINA'S FOREIGN TRADE TERMED BRIGHT

Beijing GUOJI MAOYI [INTERNATIONAL TRADE] in Chinese No 8, Aug 82 pp 10-13

[Article by Zou Siyi [6760 2448 7328]: "The Past and Future of China's Foreign Trade"]

[Excerpt] II. Prospects for China's Foreign Trade Development

Economic exchanges and the mutual introduction of technology among countries in the world are indispensable avenues to their economic and technological development. To speed up the realization of the four modernizations, whether in the period of readjustment of the national economy or in the long-term future, our country will actively develop foreign trade, economic cooperation, and technical exchanges with foreign countries and will adopt various ideal forms commonly used in the world to absorb foreign capital. This is our government's unswerving open policy toward foreign countries. At present our country already has developed economic and trade relations with 174 countries and regions in the world; this is a favorable condition for our modernization and construction. In the future we will continue to develop economic and trade relations with foreign countries according to the principle of equality and mutual benefit and will actively expand import and export trade.

The key to expanding foreign trade is increasing exports. On the basis of developing production, we will in the future actively expand exports and, in accordance with the actual needs and possibilities in our economic construction, we will continue to introduce and export advance technology and equipment that suit our actual needs, and will continue to import various materials needed by our industrial and agricultural production and our people in their everyday life. The total value of our foreign trade will steadily increase, and we will strive to make our export growth rate constantly higher than the growth rate of our national economy. We will also strive to achieve a growth rate higher than the world average growth rate in total export value. In a short period of time we will strive to increase the proportion of our export value in the world's total from the present 1 percent to 2 percent.

Following the continuous growth of our national economy, there will be a definite change in the structure of import and export commodities, and there will be ups and downs in the import and export volume of specific commodities. In

exports, following production growth and the transformation and upgrading of industrial products in quality and variety of colors and designs, the proportion of manufactured products will gradually increase. The export volume of agricultural sideline products, native and special products will also continue to increase, but their proportion to the total value of exports may decline. In order to expand exports we must first develop those commodities needed in the world market and pay attention to taking advantage of favorable conditions in our country by actively exploiting our resources and developing petroleum, coal, tin, molybdenum, titanium, manganese, magnesium as well as traditionally exported raw-material types of commodities. In developing manufactured goods for export, we must chiefly develop exports of consumer goods that are labor intensive, which in reality means exports of textile goods, light industrial goods, and handicrafts. At the same time, following the rise in the technical standards of our industry, we must gradually expand exports of machinery products.

The area of imports must suit the present readjustment policy of our national economy. Due to the reduction of investments in basic construction, imports of equipment and materials used in basic construction to a certain degree will be restricted. However, imports of technology and equipment needed for transforming existing industry, exploiting energy resources, and developing communications and transportation will increase, and imports of light industrial raw materials and consumer materials for the domestic market also will increase. Imports of grain, chemical fertilizers, and other chemicals (high in efficiency and low in toxicity) used in agricultural production will not decrease. In the future we will vigorously develop imports of raw materials and exports of processed manufactured goods, so that raw materials and equipment that need to be imported and used for expanding exports will continue to increase.

In any case, the prospects for China's foreign trade development are good. We expect that after the national economy is readjusted, the development of foreign trade will further accelerate. In the course of China's foreign trade development, we have particularly stressed partnership with European countries. Europe is an industrially developed region in the world, and it has enormous industrial capacity and advanced technology. Strengthening our economic and trade relations with European countries will not only help us to realize socialist modernization but will also accord with the basic interests of the people in our country and Europe and even the world. In the years during and following the period of readjustment of our national economy, we will continue to treat Europe as a key region for imports of advanced technology and equipment. In addition to imports of the advanced technology and equipment needed to develop our light textile industry, communications and transportation industry, and energy resources industry and to expand our exports, chemical fertilizers, agricultural chemicals, industrial chemicals, chemical fibers and dyes are key items of import from Europe. We advocate overall balance between import and export trade, and we must strive to expand exports to European countries. We firmly believe that as our industrial and agricultural production grows, China's exports of agricultural sideline products, animal byproducts, handicrafts, and minerals will further increase. Positive measures will be adopted for light industrial, textile, machinery, and chemical products. We will strive to increase their quality and make them even more suitable to the needs of the European market.

III. Reform of the Foreign Trade System

In the course of readjusting our national economy, our existing system of economic management will undergo a gradual reform. Reform of the system serves the national economy and is intended to give play to the positive and creative roles of all departments, local areas, and enterprises. It is designed to increase work efficiency and management standards, overcome bureaucraticism, and cut down on loss and waste.

Reform of the foreign trade system is a component part of reform of the entire economic management system. For more than 3 years, since our party proposed an open policy toward foreign countries, we have made some reforms and established experimental points in the system of economic and trade relations with foreign countries as well as in our policies, and we have achieved initial results.

At present, the reorganizational tasks of various ministries and commissions under our State Council have basically been completed, and their administrative structure has been greatly simplified. In accordance with the resolution of the 22nd Session of the NPC Standing Committee, the former State Import-Export Management Commission, the Ministry of Foreign Trade, the Ministry of Economic Relations With Foreign Countries, and the Foreign Investment Control Commission have been combined to form the Ministry of Economic and Trade Relations With Foreign Countries. The primary tasks of this ministry are to carry out the guiding principles and policies of the Party Central Committee and the State Council on the development of economic and trade relations with foreign countries, to extensively develop diverse forms of economic activities in the world, to vigorously develop foreign trade, to do a good job in economic and technical assistance to and cooperation with Third World countries, to utilize foreign capital in a positive manner, to introduce suitable advanced technology while organizing technology for export, and to develop cooperation between foreign contract projects and labor services. Under the unified leadership of the Ministry of Economic and Trade Relations With Foreign Countries, import and export trade is for the most part to be managed by the 10 import-export corporation head offices subordinate to that ministry and by their branch offices in provinces, municipalities, and autonomous regions. They include the head offices of the Cereals, Oils, and Foodstuffs Import-Export Corporation, the Native Produce and Animal Byproducts Import-Export Corporation, the Textile Import-Export Corporation, the Light Industrial Products Import-Export Corporation, the Arts and Crafts Import-Export Corporation, the Chemicals Import-Export Corporation, the Metals and Minerals Import-Export Corporation, the Machinery Import-Export Corporation, the Technical Import-Export Corporation, and the Instruments Import-Export Corporation. In addition, several Class 1 central government departments have established import-export corporation head offices to manage the import and export business of their respective departments. To give full play to the positive role of export management in different areas and to implement the principle of unified relations with foreign countries, Class 1 central government corporation head offices and Class 1 local corporation branch offices carry out different management methods for export commodities. Some staple, chief commodities are still transacted with foreign countries through unified management or organized unified management by the Foreign Trade

Specialized Import-Export Corporation Head Office (including head offices of industrial departments) and are delivered and fulfilled by local branch offices. Other commodities are transacted by branch offices in provinces, municipalities, and autonomous regions that manage exports, but their marketing, customers, and pricing are organized and coordinated by the head offices. To unify foreign trade, a system of export permits has also been implemented. At present, export permits have been applied to 81 different commodities in our state.

As for imports, all import commodities needed by central government departments are still imported through the Foreign Trade Specialized Import-Export Corporation Head Office or the import-export corporation head offices of industrial departments. Locally needed import commodities can be managed locally, with the exception of some chief commodities in which transactions with foreign countries must be conducted centrally by the head office of the Foreign Trade Specialized Import-Export Corporation. In the future, the reform of our country's foreign trade system must be continued step by step. It must adhere to the state's overall planning and unified relations with foreign countries, while it can mobilize the active role of local areas, departments, and enterprises.

We believe that, following the implementation of the readjustment policy of our national economy, and following the continuous development of our industrial and agricultural production and the further reform of our foreign trade system, a new situation of major growth in our country's foreign trade will appear in the near future. The prospects for China's foreign trade are bright.

(Editor's Note: This article was the author's report to the "International Lectures on Strengthening Economic Relations With China," sponsored by the Danube European Research Institute in Austria. At the time of publication in this journal, slight additions and deletions have been made.)

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LABOR AND WAGES

BRIEFS

BEIJING NEW ENTERPRISES--Beijing, 13 Oct (XINHUA)--During the past 3 years and up to the first half of this year, some 5,440 collectively-owned commercial and industrial enterprises were set up in Beijing Municipality to provide jobs for youths awaiting employment. These enterprises have played a positive role in promoting production, enlivening markets and making things convenient for the people. Among these new enterprises, 3,561 enterprises engage in trades closely connected with the people's livelihood, including commercial, service, catering and repairing trades, and some 64,500 people are employed at these enterprises, accounting for over one-third of the total number of workers employed at the state-run enterprises in Beijing engaged in the same trades. Over 1,800 collectively-owned plants were also set up for youths awaiting employment. Mainly engaged in light and handicraft industry, these plants employ about 200,000 workers, including 120,000 to 130,000 youths awaiting employment. [Beijing XINHUA Domestic Service in Chinese 0054 GMT 13 Oct 82 OW]

SHAANXI EMPLOYMENT WORK CONFERENCE--From 14-20 October, the Shaanxi Provincial People's Government held a conference in Xian on employment work. Vice Governor Liu Geng attended. Vice Governor (Zhang Bin) gave a summing-up speech. The conference summed up experiences in employment and analyzed the province's employment situation since the 3d Plenary Session of the 11th CPC Central Committee. The conference also looked into the views on doing well in employment. Since the 3d Plenary Session of the 11th CPC Central Committee, the province has arranged jobs for some 612,000 people and basically solved the employment problem of rusticated educated young people. The province has also on the whole made arrangements for the PRC-1980 graduates of junior and senior middle schools who meet the requirements for arrangement of jobs. According to statistics, on the average, 2 and 1/2 persons of each urban household got jobs in 1981. The number of urban residents who became employed in 1981 was 6 percent more than in 1980. The per capita monthly average income of a household of workers in the first half of 1982 was 36.14 yuan, 12.67 yuan more than in 1978. [HK271440 Xian Shaanxi Provincial Service in Mandarin 1130 GMT 22 Oct 82]

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TRANSPORTATION

SHANDONG'S MULTIPLE-TRACK RAILWAY UNDER CONSTRUCTION

SK011053 Jinan Shandong Provincial Service in Mandarin 2300 GMT 30 Sep 82

[Text] According to our sources, the multiple-tracking project of the Jinan-Jiaozhouwan Railway is under rapid construction. The first stage of the project--the section between Lancun and Jinan--was started in April 1980. By the end of August 1982, 175 kilometers of main lines [Zheng Xian] and 105 kilometers of trunk lines [Gan Xian] had been laid with multiple track, 30 large and medium-sized bridges had been repaired or built and 14 blocked up traffic sections had been opened, of which, 12 have been made available to traffic.

The Jinan-Jiaozhouwan Railway, connecting with Dongping County in the West and linking Qingdao Port in the East, is one of important main lines of communication in China's coastal areas and is also a single-track railway with the heaviest transport load in China. To increase the transport capacity of this railway and promote the national economy and foreign trade, the state decided to multiply the track of this railway.

Under the leadership of the provincial people's government and with the close cooperation of people's governments at all levels and the large numbers of the masses along the railway all cadres, workers, engineers and technicians in charge of the construction of the multiple-tracking project have been conscientious in designing and working and, therefore, accelerating the tempo of construction. Now the project has reached high tide. More than 14,000 workers and staff working at 22 railway sections and 33 railway stations are conscientiously studying and implementing the guidelines and documents of the 12th CPC National Congress and working hard and making suggestions for this project. They have also pledged to complete on schedule the construction task for the first stage of the project by the first half of 1984.

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TRANSPORTATION

BRIEFS

SHANGHAI SHIPBUILDING INDUSTRY--During the last 2 years, shipyards in Shanghai have signed contracts with more than 20 countries and regions to build a total of 580,000 tons of ships. Over 250,000 tons will be completed this year. Jiangnan shipyard, a major shipyard in Shanghai, began construction of 10,000-ton ships for export last year. Three 27,000-ton freighters built by the shipyard have already been launched and delivered to foreign ship owners. Shipyards in Shanghai have found themselves an important place in international ship markets because of their ships' superior quality. In addition, they are increasing the variety of ships being built to include icebreakers, container ships, platforms for oceanic oil prospecting and other specialized vessels. [Shanghai City Service in Mandarin 1130 GMT 3 Oct 82 OW]

HEILONGJIANG RAILROAD CONSTRUCTION--Construction of a railroad between Harbin and Anda has been accelerated. Part of the railroad linking small stations had been completed and put into use by 16 October. On completion in 1984, this 124-kilometer-long railroad will increase freight volume by 100 percent. The state has increased railroad construction funds for Harbin this year by 4 times over 1981. This fund is mainly used to build the Harbin-Anda multiple track railroad. [Harbin Heilongjiang Provincial Service in Mandarin 1100 GMT 1 Nov 82 SK]

LIAONING PORT CONSTRUCTION--Dalian, 31 Oct (XINHUA)--A new wharf with two berths, one for 10,000-ton ships and the other for 7,000-ton freighters, is being added at the Xianglu Reef in Dalian, northeast China's largest sea port. According to port authorities, the project is part of the port's 10-year transformation program. Upon completion in 1990, Dalian port's annual cargo handling capacity will be raised from the present 30 million tons to 50 million tons. An ordinary Sunday goods wharf, which covers an area of 30,000 square meters, is being transformed into a specialized container wharf with two deep-water berths. When completed in December, Dalian will open more new international container shipping routes, in addition to the routes linking with Hong Kong, Singapore, Japan, Britain, West Germany, Norway and the United States. [OW031425 Beijing XINHUA in English 1201 GMT 31 Oct 82]

RAILWAY APPROVED--According to GUANGXI RIBAO, its reporter learned from relevant sources that the State Council recently approved the construction of the Nanning-Kunming Railway, which would link the capitals of Yunnan Province and Guangxi autonomous region and that the building of this railway had been in-

cluded in the state's long-term construction plan. The building of the Nanning-Kunming Railway is expected to start in the last years of the seventh 5-year plan period. Preparations for the early stage of construction are already under way. This railway is designed to transport mainly coal and phosphorous minerals produced in Yunnan and Guangxi. The whole railway line will be designed according to the standards of a first-class trunk line and it will be electrified. After the completion of this railway, it will be possible to ship coal and phosphorous resources north along the Guilin-Zhuzhou Railway or to Huangcheng Port for export through the Nanning-Huangcheng Railway. This will improve the railway grids and benefit transport. The Nanning-Kunming Railway will pass through Pingguo, Beisi and other counties in Beisi Prefecture of our region. Thus it will play an important role in developing our region's Pingguo Bauxite Mine exploiting Hongshuihes hydroelectric power resources and developing industrial and agricultural production in the Beisi area. [Text]
[HK280631 Nanning Guangxi Regional Service in Mandarin 1130 GMT 27 Oct 82]

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